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Britain's Economic Planning Carried to Unjustifiable Extreme

By PERCY RIPLEY

British political economist charges that war-induced controls imposed for justifiable ends, are being vastly expanded under concealed motive of chucking capitalism and free enterprise. Accuses Government of Machiavellian tricks in putting over controls in incomprehensible form; and Mr. Attlee of forcing strict compliance by both planners and businessmen.

KENT, ENGLAND—The fine art of political restriction is to practise it in such manner that it appears to be persuasion. This is especially so in a democratic community. For when restriction emerges into obvious enforcement, then where, indeed, is democracy with all its emphasis upon the freedom of the individual? There is no doubt that this rule of conduct is fully appreciated by the British Cabinet as a whole, although under the impact of emergencies its actions from time to time seem to demonstrate the contrary. That it is not appreciated by members of trade unions is evident from the strident nature of the resolutions which they pass at their annual conferences.

Percy Ripley

An Inheritance Not Rich But Useful

The Labor Party, when it came into power, inherited thousands of regulations imposed by the preceding government. These regulations affected the rights of the citizen in many ways, notably his commercial and industrial activities. The restrictions had been imposed originally with the object of carrying the war to a successful conclusion. But with the termination of hostilities the position changed. Some other reason had to be advanced for the restraints which were being practiced by the State; this was found in what were called "the difficulties of the transition period." It was contended by the authorities, and not without the support of facts, that so many essential goods being in short supply, any approach to equitable distribution could only be ensured by the maintenance of extensive official control.

But it soon became clear that government policy in this respect was not being influenced by a single motive. There was, in the first place, a deliberate curbing of private expenditure so as to compel it to be exercised very largely in the purchase of government securities. This was accompanied by increasing regulation of the amount of goods allowed to be manufactured for the home market. Both of these measures had economic justification, although it could be argued that they have been carried too far. However, it is difficult to see that, in the absence of compulsory saving, a capital levy could have been

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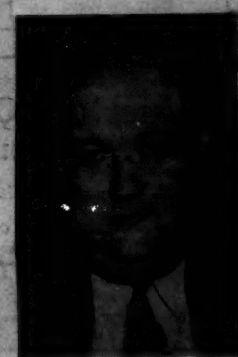
The Capital Structure of Electric Utilities

By RICHARD B. McENTIRE*

Commissioner, Securities and Exchange Commission

SEC member, in commenting on the past and prospective growth of electric utilities, points out need for shaping their capital structures on sound and permanent basis. Foresees vast sums from investors required for electrical expansion, and argues much of it must be in form of equity capital. Lays down standards of capital structure under public regulation, and stresses importance of low ratio of bonded debt and provisions for debt extinguishment.

The title of these remarks promises more than I can fulfill; but it is sufficiently broad to give me the opportunity to make some rather discursive remarks about certain problems of concern to us in this regulatory business—problems in the financing of today's and tomorrow's construction program in the electric utility industry. If you will allow, I would like to approach the subject directly at first, then amble back somewhat to draw a bead on it from a more distant point, and then finally come forward again and try to tackle some of the implications I see in it.



Richard B. McEntire

As we all know, the electric utility industry is going through a period of unprecedented growth. We hear that fact stated over and over again. But do we realize the magnitude of that growth? Speaking for myself, I must confess that I find it hard to visualize the extent to which this business is

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*An address by Commissioner McEntire before the National Association of Railroad and Utilities Commissioners, Boston, Mass., July 17, 1947.

EDITORIAL

As We See It

"Confused Alarms"

What in former years would have been regarded as a large issue of obligations of the International Bank is gobbled up at a yield which in ordinary circumstances would be considered low even for bonds of the Government of the United States. Yet investors show reluctance to take up the direct obligations of foreign governments, and there are a good many who profess to fear that neither private investor nor a profligate Federal Government will during the next year or two provide foreigners with the dollars they "must have."

From some observers the encouraging word reaches these shores that European leaders are more and more coming to a belated realization that European production and intra-European exchanges of goods and services, rather than endless pleas to Uncle Sam for more and yet more assistance, are the real keys to a successful future for that Continent. Yet French authorities blandly inform the world in effect, that if German production is permitted to return to normal before a divided, stubborn, deliberately unproductive French people can gain their own consent to go to work, then the Paris Conference had better count France out.

Doubts About Us

According to a number of experienced observers, leaders in many if not most of the countries represented at Paris,

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Market Outlook Continues Favorable

By ANTHONY GAUBIS
Investment Counselor

On basis of current price-earnings ratios, change in Washington's attitude toward business prospects, new labor legislation and possibility of permanently inflated price level, Mr. Gaubis holds a bull market continuing until 1949 is warranted.

Review of Previous Forecasts

In a review of the Outlook for Stock Prices which appeared in the "Chronicle" on April 24th, I ended with the statement that the lows for 1947 in the Dow-Jones Industrial Average were likely to be somewhere within the 160-170 area. I stated further that "it would seem reasonable to expect a resumption of the upward trend in stock prices as soon as it becomes obvious to more people that the 1947 readjustments in business activity are likely to be of minor, rather than of major proportions."

Anthony Gaubis

The 1947 range for the Industrial Average prior to that date was 184.49 to 166.69; the subsequent low touched about three weeks after the publication of that article, was 163.21. As all readers of the "Chronicle" are aware, this average has recently risen to the highest levels touched since Sept. 3, 1946. The question now is, of course, where do we go from here?

Developments of the past three months would seem to strengthen rather than weaken the prospect that, before the end of the year, the market will rise to or near the 210-220 level mentioned as the probable 1947 high in an earlier (January 16) article for the "Chronicle." This is true largely because we now can be more confident of the validity of certain assumptions as to earnings prospects and because it is progressively more evident that a postwar readjustment can be accomplished without precipitating the 1919-1921 type of downward spiral. Furthermore, the successful "testing" of the October, 1946, lows of the Dow-Jones Industrial Average in May of this year and the subsequently 25-point rise in this average, has led to a sufficient improvement in speculative confidence to suggest that the line of least resistance, even from a technical point of view, is again upward.

Earnings Outlook Fundamental

Although the shorter-term trend of the market appears to governed largely by day-to-day news (and in recent years, by political and economic propaganda), the most important single factor from a longer-term standpoint always has been the level and outlook for earnings. There are times, of course, when earnings are capitalized at higher levels than at others. Variations or fluctuations in price-earnings ratios are largely a reflection of the degree of confidence in the earnings outlook. This confidence factor is sometimes artificially stimulated or depressed by proaganda or manipulative tactics, but over a period of time, real or "normal" values tend to reassert themselves.

On the basis of this fundamental price-earnings ratio approach, the

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Universal Military Training Worthless: Dr. Bates

Research scientist and engineer formerly attached to U. S. Army in secret operations, says our victory in World War II proved the complete triumph of science and technology over mass conscripted armies. Urges as substitute for universal military training, scientific, technical and mechanical education and training of two to four hundred thousand boys annually.

"Universal military training is a vicious political racket and nothing else," stated Dr. A. Allan Bates, scientist and engineer of Chicago, Ill., in an appearance on July 16 before the House Armed Services Committee. Dr. Bates, formerly Research Manager of the Westinghouse Electric Corp. and now in charge of research and development at a nationally known research laboratory in Chicago, told the Committee that in the course of his engineering career he had lived with and studied universal military training in over a score of countries in several continents and that it was impossible to live through such experiences or to study the history of universal military training without coming to the conclusion that it invariably develops into a device for regimenting the citizens of a country under the control of the most dictatorial and expensive of all governmental bureaus.

Dr. A. Allan Bates

Dr. Bates was engaged in secret operations with the American Army during the period of combat in Germany in World War II. He pointed out that France, Poland, Belgium, Holland, Denmark, Norway, all nations which had had universal military training of two, three or more years' duration for every boy, were each overthrown and utterly defeated in a few days by German mechanized combat teams of absurdly inferior numbers. The Russian armies, too, comprising more than 15,000,000 conscript soldiers who had received up to five years of universal military training, were thrown back as much as a thousand miles along a thousand mile front by numerically inferior German troops. Only England, who had never had universal military training, defeated the Nazis' attempt to attack her and finally, the United States, which had never had universal military training, brought about the simultaneous unconditional surrender of both Germany and Japan, the two nations most outstanding in their exploitation of universal military training. "Furthermore," he pointed out, "we defeated the Germans as completely and in almost as few days as they had defeated their previous adversaries. Only six weeks intervened between our break-out from the Normandy beach-heads and our arrival at the Rhine. From the time we crossed the Rhine it required only eight weeks more to smash the Nazis completely.

"A million non-conscript American boys accomplished in combat what 20 million European conscripts failed utterly to do—they licked Hitler. They did it not because they were better trained or braver than the boys of France or Belgium or Russia. They did it entirely as a result of the overwhelming scientific and mechanical equipment produced by the farms and industries of America. Our victory in World War II proved the complete triumph of science and technology over the mass armies which are the only product of universal military training.

"The President's hand-picked Advisory Committee on Universal Military Training was forced to admit that UMT 'has no place in American life unless it can be shown that it is vital to our military security.' World War II showed conclusively that it is not vital, but that on the contrary, it is worse than useless since it is a sheer waste of funds which should go to an immense program of scientific research and development and to a great air force and a great navy, both of which

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Universal Military Training— Step Toward Statism

By CARLISLE BARGERON

Washington correspondent notes Congressmen look upon Universal Military Training as peoples' attitude to "let government do it." Sees in it relief of parental responsibility and says it is "utter bunk" training will be peacetime help. Points out youngsters provide best their own exercise and UMT, besides relieving parents of duties, will maintain tremendous industry of brass hats.

WASHINGTON, D. C.—Almost every time you turn around, the Gallup Poll reports that the great majority of the American people are in favor of Universal Military Training. Yet, Congress won't pass the act and this irks our internationalists no end.

Carlisle Bargeron

Here is something which Dr. Gallup assures us the American people want. Well, why, in a Democracy, can't they get what they want?

Your correspondent has talked with any number of Congressmen about it. For one thing, the inestimable doctor might be surprised to know the low esteem in which he is held by our Congressmen. They are quite the pollsters themselves and notwithstanding the doctor's ambition to simplify our legislative processes, they still think the ear to the ground which they hold, is the most accurate barometer of American thinking.

Attitude of Congressmen

Nevertheless, there are few Congressmen who don't realize that they could vote for "universal training," without getting particularly hurt. Their thinking on this is quite interesting. As they understand it, universal training is neither popular nor unpopular. There is no pressure against them for the act; there is no particular pressure against the act.

Back of this situation, those of the Congressmen with whom I have talked feel, is the dangerous attitude of our people to "let the government do it." There has been a tremendous destruction of individual thinking in our country in recent years. All too many people have accepted the concept that they are to be clothed and fed, and their thinking done for them. The approach to our next Presidential candidates is on the basis of what they have done FOR the people. How much have they done for our various racial elements and how much have they done for our various economic groups — business, agriculture, labor, etc.

What popularity or acceptance universal military training has attained, comes from this same philosophy. It is a refinement and a development of the "school lunch" program. As this is written, there is a controversy between the House and Senate conferees, in Congress, over whether to accept the House proposition of $45,000,000 for this school lunch program, or the Senate's appropriation of $75,000,000.

Under either figure, the Federal government gives money to the States in a vast racket. It is figured that only one out of eight students get a free luncheon. The States, and municipalities, with private contributions, and with the volunteer services of women, are serving luncheons at "cost." Subsidized from many sources, most of the projects are "making money."

The popularity of the setup, costly in that there is a tremendous wastage of money and effort in administrative expense, revolves around the fact that the parents do not have to go to the trouble of providing luncheons for their offsprings. It is not a matter of money with the most of them, but the trouble.

Mothers who complain about the burdens of their housework, will gladly take their turn at serving behind the counter at a school luncheon. They are now in "public service." And, of course, the newspapers have women's pages to glorify the woman

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Our Prosperity Is On Temporary Props: Truman

President in interim Economic Report tells Congress nation is at prosperity peak with unprecedented national income, employment and high living standards, but warns much of this is due to exaggerated consumer demands resulting from war and from accumulated savings, along with easy credit. Warns inflationary factors still operate and says price-wage adjustments are required to avoid depression. Expresses fear of effect of high coal and steel prices, and says business profits are high.

President Harry S. Truman submitted to Congress on July 21, a mid-year Report, comprising 30,000 words, on the economic situation.

President Truman

He asserted that though the nation was experiencing "unprecedented prosperity" with a national income at the rate of $225 billions annually and with 60 million employed, and had "the most productive machine ever devised by the minds or hands of man," much of this was due to the abnormal conditions created by the war, such as heavy demand for both consumer and durable goods, a large backlog of savings, unusually heavy exports, and easy credit conditions.

The text of the Foreword and Summary of the Report follows:

To the Congress of the United States:

When my first economic report was presented to the Congress on Jan. 8, 1947, the nation was turning from the economic controls of war time to a free economy. Now, six months later, it is appropriate that we consider carefully what success we have had in meeting the problems of that process, what difficulties lie ahead and what action should now be taken. It is for this reason that I transmit to the Congress this mid-year economic report.

Americans today live in a richer and more productive economy and are enjoying its benefits more equitably than ever before in peace-time history.

At mid-point in the year 1947 we have surpassed previous high records of civilian production, and are now producing goods and services at a rate of $225 billion annually. Month by month there has been talk of recession; month by month recession has failed to materialize. In June we reached a level of 60 million civilian jobs, regarded by many as impossible of attainment. Our standard of living is exceptionally high, and purchasing power has thus far been adequate to absorb completely the enormous production of American farms, mines and factories. Farm income has attained a record level. The financial position of business is strong. A healthy slowing down in inventory accumulation has taken place. Business investment in plants and equipment has increased this year, even above the record highs of last year. Management and labor have cooperated in maintaining industrial peace, and a wide range of important collective-bargaining agreements have been signed without widespread strikes. With a slight reduction in the work week, productivity is on the increase.

The credit for this magnificent record is shared by American farmers, who exerted great efforts to plant and reap bumper crops; by workers, who stayed on the job and increased their productivity; by business men, who overcame many shortages and established new records in the production of more and better goods, and by leaders of industry and labor who strove for industrial peace in the face of serious difficulties.

The unprecedented prosperity of our nation must not be a cause for idle self-congratulation. We must remember that full employment at a high price level is being sustained at present by the reconversion demands of business and the backlog demands of consumers, by extensive use of savings and credit and by an extraordinary excess of exports over imports. These are temporary props to our economic system. As they weaken we shall need to make many basic readjustments to complete the transition to a permanently stable

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BUSINESS BUZZ

"I'll Take It If the Convertible has White Walled Tires!"

Let Industry Show the Way!

By BRIG. GEN. E. F. JEFFE*

Vice-President, Consolidated Edison Co. of New York

Gen. Jeffe, in asserting failure to solve price situation may involve nation in inflation spiral and business recession, attacks Congressional Committees for taking testimony of bureaucrats and "long-haired" economists, none of whom are qualified by experience. Says industry and labor lack interest, aggressiveness and outspoken leadership and lays responsibility on private industry for letting opposing side present a picture of conditions. Urges action by industrialists to demonstrate superiority of capitalism.

The average American has seen a headline here or there about prices. He knows or understands very little about the hearings being conducted by the Joint Committee on the Economic Report on Prices, Developments and Economic Stabilization. He thinks it is just another political ballyhoo. He doesn't honestly believe that anyone is trying to seriously do anything about it and yet, I don't know of a single thing that is more important than stabilization of prices at this time—for this cuts across our entire system of free enterprise.

Brig. Gen. E. F. Jeffe

Price structure is all important in the ever increasing demands for higher wages. Failure to solve the price problem may involve this nation in a spiral of inflation or may throw us into a business recession. Unless price problems are solved, the living standards of this country may be lowered. Malnutrition may develop.

Unless the price situation is solved, buyers' strikes may develop and over production and unemployment will result and when that happens, the small business man will be the first one to be hit and business failures will mount rapidly. It is not easy to come back from a recession. It takes far less ingenuity and far less effort to plan against a recession than to come back from one.

Certainly, in this nation, there is enough common sense and team work to prevent this all.

Maybe we have been hit on the "button" so often our senses are dulled. We keep talking of the benefits of free enterprise while we merrily go on our way surrendering to government ownership and government controls.

Industry Should Be Heard

We in industry lack either the initiative or the foresight or the common everyday courage to express ourselves and to insist that we be heard on these all vital matters.

We surrender to Bureaucrats and inexperienced economists. We permit them to fill up the Congressional Records with untried, "whistling in the dark" plans.

This is the time for those who really believe in the free enterprise system to select those with experience, capable to solve this economic problem.

One of the primary things that made America great and fostered and built the free enterprise system was the desire and the freedom to earn profits and the respect we had for those who reached that goal.

We all know that government ownership eliminates profits.

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*Remarks of Gen. Jeffe before meeting of Cooperating Appliance Dealers Association of Brooklyn, Inc., New York City, July 22, 1947.

Observations . . . .

By A. WILFRED MAY

MR. TRUMAN'S INTRIGUING RED-HERRINGS

About the most discouraging element attending the President's second tax reduction veto are the unrealistic excuses which are being made for it by some previously sound commentators. Thus a leading Metropolitan newspaper, which had been blasting Mr. Truman's tax policy and his arbitrary abuse of the veto power, nevertheless advocates the theme that the Congress should slash the budget before taxes and revenues are cut. But such behavior sequence surely reverses elementary common sense. The ordinary head of a family suits his spending during the year according to his earnings. He calculates his budget on the basis of his income; he does not first decide how much he would like to spend, or how much he ought to spend, and *then* go out and try to amass the income. His spending is based on the premise that it must be made to fit his earnings which he will make as large as he can.

A. Wilfred May

The Horse Before the Cart

In the same way a government must *first* calculate its maximum income. This is not altered by the fact that it possesses some leeway in setting its tax rates. Actually the amount of revenue which the government can and should collect has, for a variety of compelling reasons, definite limits; and besides, does not even follow changes in tax rates. For a government *first* to ponder over what it should spend, and *subsequently* look for the money to foot the bill, is illogical, chaotic and, in the long run, disastrous.

"New Developments"

Again some former critics of the President's tax attitude now reverse themselves on the basis of "new developments" arising from the Marshall Plan. This seems to be based on the supposition that the Secretary's pep-talk to the Continent to get together on its needs either marks some radical departure in our external financial obligations, or in the world political situation. While the preliminary figure of $3 billion as a three-year annual assessment on us which has this week been tentatively calculated by the Paris experts, may turn out to be an under-estimate, it nevertheless seems safe to assume that our Marshall obligation total will not so far exceed the $16 billion of our already-distributed post-war relief, as to govern our domestic fiscal policy.

And surely nothing radically new in the turbulent state of the world has been revealed, either by Mr. Marshall or by the course of events in past weeks. The cold fact is that if we are going to await the end of our international relief and subsidy obligations, and the absence of the threat of war for relief from our emergency peak taxation, we shall never have such relief.

And it must be remembered that we are dealing with a war-time emergency tax load, triple to quadruple its pre-war size. From our present level of both expenditure and taxation, a boost attending another war or a real new emergency, would either break the economy or transform us into a completely collectivist state.

It must strike us that the Marshall Plan came along just in time to be used as an alibi for tax-delay to rescue Mr. Truman from the obviously insincere excuses for postponement which he had previously given, such as the need to await the end of the inflation danger, the desirability of a pot-shot reduction in our enormous debt, and—above all things—until Secretary Snyder is ready with the overall overhauling of the entire tax structure, which we have been awaiting since the days of Woodrow Wilson.

Manipulating the Economics

The so-called "economic" arguments advanced by Messrs. Truman and Snyder to support their contention that "this is not the right time" must likewise be seen as undoubted red-herrings. They completely entangled themselves in contradictory inflation and deflation themes. Secretary Snyder opposed tax reduction before the Senate Finance Committee last April because "inflationary pressures have still not subsided."

But in his special economic report issued to the Congress this week Mr. Truman, reiterating previous worries of himself and his economists over consumer purchasing power "gaps" and insufficiencies, points out in detail the vulnerability of our present high activity. He there expresses concern over the downward trend of the consumer's real income—that is, the relation of his dollar income to the prices he must pay; over potential unemployment; over the artificial stimulation arising from our subsidized export surpluses ("75% of the 1947 gain in national production was caused by the unexpected boom in exports, but foreign buying power is likely soon to decline"); and over the dangerous degree of temporary stimulation arising from the pent-up demand from consumers previously starved of peacetime goods.

And in contending that the inflationary effects of the new wage rise in the coal industry are "exaggerated," the President in line with his previous "economic" arguments advocating higher wages is again grossly inconsistent with his brief for deflationary high taxes.

The President has been dreadfully worried by the consumer's plight arising from insufficiently high wages, and because of high prices; yet insists on aggravating this situation by unwillingness to employ the two instruments over which he has control: increasing the people's spendable income by reducing their wartime tax burden, or cutting his outrageously inflated and inflationary peacetime spending. To insist on "spending-and-spending and taxing-and-taxing" during depressions is bad enough; in a time of professedly worrisome inflation it is an economic crime.

Crocodile Tears

The crocodile tears which our Democratic President is shedding over the size of the national debt, and the need for "maintaining the integrity of this debt," constitutes still another red-herring being injected to support his anti-tax-cut drive. Enactment of the vetoed tax legislation would have still left five billion dollars for debt repayment; the added amount at stake in tax reduction was less than 2% of our debt—scarcely the crux of our national solvency, and surely not regarded so during the past 15 years by the Administration of which Mr. Truman has been a prominent member.

The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

Corporate financing in the United States for the month of June surpassed that of any previous month of 1947, totaling $727,666,105 of which $517,008,778, or 71%, was classified under new money purposes and $210,657,327, or 29%, constituted capital for refunding operations. The above total for June, 1947, however, fell short of December, 1946 emissions, which reached the sum of $774,353,675. This figure compared with $528,164,539 for May, 1947 and $693,861,293 for June of last year.

Financing during June reversed the May trend in that new money flotations during the month exceeded refunding operations. It is worthy of note that with the exception of May, June, 1947, was the 10th month since July, 1946, to show new money greater than refunding operations.

The principal issues for the month were $200,000,000 American Telephone & Telegraph 40-year 2⅞% debentures; $60,000,000 Consolidated Edison Co. of New York, Inc., 1st and refunding mortgage 2¾s; $75,000,000 Southern Bell Telephone & Telegraph Co. 40-year 2⅞% debentures; $40,000,000 Public Service Co. of Colo., 1st mortgage, 2⅞s; $32,000,000 Toledo Edison Co. 1st mortgage 2⅞s, and $24,000,000 Kentucky Utilities Co. 1st mortgage 3s.

Another feature of the month's financing was the placement in the United States market of two Commonwealth of Australia bond issues for an aggregate of $38,000,000, the proceeds of which were used to refund outstanding higher coupon obligations.

Private financing for the month added up to $79,894,100, the result of 29 issues being so placed. This represented 10.9% of the month's total and compared with 14.2% of the May total; 40.9% of the April financing; 18.7% of the issues so placed in March; 43.8% of the February total, and 45.8% placed through the private route in January.

Municipal financing for June aggregated $214,016,908 compared with $107,694,076 for May and $124,256,152 for June, 1946. Of the June total $211,543,277 or 98.8% was for new money purposes and $2,473,631 or 1.2% represented refunding issues.

RESULTS FOR THE HALF YEAR

Corporate financing for the first six months of 1947 had an aggregate value of $2,668,392,855, compared with $3,227,489,031 for the like period of 1946. The 1946 total was the largest since 1930 when $3,964,471,707 was reported. Of the 1947 financing $1,793,640,123 was for new money and $874,752,732 for refunding. Of the total corporate issues for the half-year, bonds and notes added up to $1,956,579,650, as compared with $2,081,174,000 for the same period in 1946, and stocks totaled $711,813,205 as against $1,146,315,031 a year ago. Of the total financing the largest share, $1,379,792,773, fell under the classification of public utilities, the greatest since 1936, when $1,041,797,628 was reached. Railroads accounted for $127,370,000 as compared with $572,381,000 in 1946 and $720,701,800 in 1945, which latter amount has never been exceeded for a like period as far as our records show, the nearest approach being in 1927 when $622,212,000 was recorded. Other industrial and manufacturing totaled $727,731,443 and all other categories $433,498,639.

More comprehensive information for June and the six months on new capital financing in the United States may be found in the columns of the July 21, 1947, issue of the "Chronicle."

INDUSTRIAL PRODUCTION HIGHER FOR WEEK AND YEAR

Post-holiday mill re-openings resulted in an increase in total industrial production during the week. Output in most lines exceeded that of the previous week and was moderately higher than that of a year ago. Shortages of skilled labor and many materials continued in some lines. Order backlogs proved substantial and employment was maintained at record levels.

New building construction was hampered by the scarcity and high prices of building materials and by the shortage of skilled labor. Private construction increased 70% over the previous holiday-shortened week and was 24% over the corresponding week a year ago. The production of lumber in the week ended July 5 was well above last year's level but dropped seasonally below that of the previous week. Lumber shipments declined 40% in the week with new orders well in excess of production.

Paperboard production declined 2% in the week ended July 12 and was 5% below that of the corresponding week of 1946. New orders for paperboard dropped 26% in the week and unfilled orders declined 2%. Paper mill operations dropped seasonally to 60.3% of capacity.

Increased availability of materials and machinery enabled clothing manufacturers to increase their output. Small seasonal declines occurred in butter and cheese production. Meat pro-

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A. E. Weltner Co. Adds

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, MO.—Whitney H. Martin has become associated with A. E. Weltner & Co., 21 West Tenth Street.

With Hornblower & Weeks

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Russell J. St. Clair is with Hornblower & Weeks, 39 South La Salle Street.

Haverbeck, Livingston Join du Pont Staff

Francis I. du Pont & Co., members of the New York Stock Exchange, and leading commodity exchanges, announce that Harrison D. S. Haverbeck and Marvin Robert Livingston are now associated with the firm in its main office at One Wall Street, New York City.

Mr. Haverbeck was previously with Edward A. Viner & Co.

With Quincy Cass

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Marjorie E. C. Hensel has been added to the staff of Quincy Cass Associates, 523 West Sixth Street, members of the Los Angeles Stock Exchange. Miss Hensel was previously with Livingstone & Co.

With Maxwell, Marshall

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Maxwell, Marshall & Co., 647 South Spring Street, members of the Los Angeles Stock Exchange, have added Richard C. Stickney and Craig H. Taylor to their staff.

With Merrill Lynch Firm

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—John C. Alber has joined the staff of Merrill Lynch, Pierce, Fenner & Beane, 523 West Sixth Street.

Greeley Sole Proprietor

PHILADELPHIA, PA.—William N. Greeley is now sole proprietor of Greeley and Co., 1500 Walnut Street.

Remedies for Our Shaky Economic Situation

By LEON HENDERSON*
Chairman, Executive Committee, Americans for Democratic Action
Formerly Administrator, Office of Price Administration

Asserting our economic system is the most productive and dynamic on earth, former New Dealer holds we have not yet learned to manage our economic affairs. Decries removal of wartime controls as letting ourselves into "wild boom," and holds prices have run away from wages, and profits have been swollen. Concludes there is little immediate danger of major depression, but contends present business rests upon increasingly shaky foundations. Lays down nine point program to remedy basic economic unbalance.

Let me say right now that we see little immediate danger of a major depression. That danger lies some few years ahead. We do, however, see the danger of a repetition of the collapse which in 1920 and 1921 followed World War I. While that collapse cannot be compared with the grinding depression of 1929-1933, it was no picnic. Farm prices were cut in half. Farm income was cut two-thirds. Factory payrolls were cut by nearly one-half, and unemployment shot up five million. American business as a whole went into the red. It sustained losses of $11 billion on inventories alone. Bankruptcies and foreclosures appeared by the scores of thousands. While the collapse lasted only a year and a half and activity made a strong comeback, it was years before our economy again hit its stride. It is imperative that the Federal Government do everything in its power to avoid a repetition of the 1920-21 collapse or anything approaching it. I say this not only because the economic cost and the human cost of such a collapse would be so enormous, but because what is involved is our capacity to manage our own economic affairs. If we cannot in 1947 avoid another 1920-21, what chance is there in the '50s to avoid a repetition of collapse in the '30s?

Leon Henderson

And I may say that it has never before been so important that we demonstrate to the world our capacity to manage our own economic affairs. For most of the world is looking to us not only for the economic assistance without which reconstruction must be intolerably protracted but for a demonstration that the critics of our system are wrong in believing that it must by its very nature collapse and leave the field open for some alternative system to take over. Nothing can so powerfully strengthen our hand in foreign policy as a demonstration that these notions, however logical they may be in the light of our past history of boom and bust, are grievously in error—that ours is not only the most productive and dynamic system on earth but the most reliable as well—that we have learned how to manage it.

Some of my friends tell me that my position on this reflects more courage than judgment. Certainly the past year has not provided any demonstration that as a nation we have learned how to manage our economic affairs. Nor has it provided evidence that those whose responsibility it is to manage those affairs appreciate the importance of that responsibility. For in spite of the magnificent wartime record, the fruits of our stabilization program were thrown to the winds in the hasty abandonment of the wartime controls.

Sound Economic Situation Under Controls

Two years ago we enjoyed an economic situation which, despite minor defects, was sound and solid throughout. Prices and costs were stabilized, profits were generous, and producers knew where they stood. Machinery was available for direction of our resources into those places where they were most needed. Had the basic wartime controls been continued in effect throughout the reconversion period, our economy would today be equally solid and sound. Our prices and costs would still be stabilized, and producers would still know where they stood. Our resources would be channeled into the areas where they are most needed. We would have got houses instead of race-tracks. The rest of the world would have got steel and machinery it so desperately needed for reconstruction instead of radios, mechanical pencils, and cigarette lighters.

The fact is that when these wartime controls were scrapped we let ourselves in for a wild boom just like that which followed the scrapping of controls after World War I. Last time, we paid for the boom in the collapse of 1920 and 1921. Unless something is done, and done promptly, we're going to pay for today's boom the same way. For today, just as in 1920, prices have been allowed to get out of hand. Once again, the price structure is shot through with distortions and imbalances.

What troubles me most, however, about our experience during the past two years is not that errors in judgment were made—God knows there were plenty of them and they were serious. What troubles me most is the motivation, the thinking, that led to the scrapping of controls. What the business community wanted and what the Congress gave it was the restoration of the unrestricted operation of supply and demand, before we were ready for free markets, the restoration of business as usual, with all the planlessness and all the irresponsibility that that meant under those circumstances. Canada and England acted more wisely.

Now I know as well as anybody how hard it was to take the wartime controls. And I never advocated their indefinite continuation. I deeply sympathized with the desire on the part of all our people to get rid of those controls at the earliest possible moment. But what we had was a revolt against planning as such—against any planning whatever. It is a sad commentary that at the very time that Congress was debating and enacting the Full Employment Act it was, by the actions it took as well as by the actions it failed to take, moving in a direction precisely opposite to that called for under that statute. Congress said both "yes" and "no" on a matter of highest national policy. At the very time the Congress was establishing the machinery for economic planning it was destroying the barriers which in the stabilization statutes it had built against postwar boom and collapse.

I believe thoughtful people everywhere agree that a mistake was made in scrapping the wartime controls too soon. I believe most people would like to see the Government of the United States begin now, using the machinery established in the Employment Act, to plan for stabilizing prosperity. While our present structure of prices and income is badly out of balance and some business readjustment is unavoidable—readjustment that is bound to hurt—action taken now can cushion the decline and bring about a swift and vigorous recovery. The country looks to this Committee for such a plan and such a program.

National Planning Not Easy

The people of this country know that this Committee is breaking new ground. They know that national planning is not an easy matter and they will be tolerant of honest mistakes. What they will not tolerate, Mr. Chairman, is a refusal to look ahead, refusal to make reasonable plans in the face of impending danger. They will not tolerate a *laissez faire* policy of setting on our hands until the crisis breaks.

It is to help in the development of national economic plans and programs that we have submitted our report on economic stability and that we are here today. As we see the situation, the heart of our present danger lies in the imbalance between our purchasing power and our capacity to produce, an imbalance which has developed since the end of effective price control in June of 1946.

Since that time prices have run away from wages and have cut deeply into the savings and the current purchasing power and into the actual consumption of the great majority of our people. The other side of this development has been, of course, an enormous increase in the volume of profits. All of this has meant a distortion in the distribution of buying power which has already shown itself in a substantial decline in the physical flow of goods over the counters of our retail stores. Here are the facts:

Between June 1946 and March 1947 consumer prices rose by 17% and wholesale prices by 32%. There was more inflation during

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*Statement by Mr. Henderson before the Joint Congressional Committee on the Economic Report, July 16, 1947.

Inflation and the Market Outlook

By MURRAY D. SAFANIE

Partner Shearson, Hammill & Co.

Economist holds stock market rise is realistically reflecting business and general economic prospects. Believes inflationary factors have not been sufficiently recognized and that, while prices are now technically vulnerable, they make the long-term outlook bullish.

By no means are all of the recent developments necessarily favorable from a social point of view, but purchasers of securities cannot afford to be influenced psychologically by these considerations when the significance of unfavorable social developments is nevertheless bullish for the longer term on security prices. For example, European conditions are disheartening. The continued spiral of price-wage advances is not sound. Similar factors, unsound though they may be, spell higher prices for securities.

Not all the background is of this dual character, however. Much has happened that is sound and constructive or is corrective of previously unsound situations. There has been a great swing to the right in this country. We have a conservative Congress from which constructive legislation has been coming forth. The free competitive system was restored with the abolition of price controls; a constructive labor act restricting ruthless and uncontrolled labor practices is now the law of the land, modifying importantly the unfair and vicious Wagner Act. A serious effort is being made, and will be successful sooner or later, to encourage initiative and investment again, through tax reduction, elimination of double taxation of corporate dividends, and reduction of capital gains taxes. These and numerous other events are providing a much more favorable atmosphere for business than it has enjoyed for a great many years.

Many of the excesses of last year in the field of inventories, prices and merchandise quality have been corrected. Never before was there more warning of an oncoming business decline. The warnings were generally heeded and the great precautions taken by industry and merchants have helped to prevent the fulfillment of the pessimistic forecasts. Business on the whole, in fact, has continued vigorously upward during more than a year of declining security prices. There is no credit stringency and none is likely to develop while such skepticism persists of a high level of business activity, and while the credit structure of the country is virtually undeflatable. The basic swollen credit of the country today is represented by deposits created through Federal debt rather than loans on securities or commercial loans which might be out of line with the level of business.

Farm Prosperity

The farmer is more prosperous than ever. His purchasing power now is relatively greater than that of the industrial worker — a new phenomenon in our economic history. Capital expenditures of industry will continue high in order to mitigate high labor costs and the effects of the return of a competitive area. The demand for residential construction continues high and serves as an excellent cushion for industry, which will become more effective when labor and material costs come down. Exports will continue high, (though probably below the recent level) in view of the economic and political conditions of Europe, regardless of the availability of U. S. funds. When we had a great all-out war to prosecute we were not deterred by the lack of current income to finance it. Help to Europe is almost equally vital for future peace and the means to that end will inevitably be found.

A modest business recession from the filling of pipe lines is to be expected, but present prices of securities discount much more than that, and when such a recession sets in (if it does), the market may be just as perverse as it was when business was rising and the market declining. If the conviction becomes general that the recession will be modest, the market will have more confidence in these earnings than it had when the extent of the business retracement was unknown, and the rate at which earnings are capitalized will rise. Meanwhile, the concessions granted to the mine workers are another symptom of the inflationary spiral which has not yet come to an end. The spiral really started with the creation of great government debt beginning in the 30's, was aggravated by the war, and then touched off by this Administration when it unwisely feared deflation after V-J day and encouraged labor to demand more pay for less work. This basic trend is not easily stopped. The country is on a permanently high price level, with wages just as undeflatable and as rigid as our Federal debt, and neither high wages nor the Federal debt can be sustained without an equally high price level. Inflation will become more of a market factor as time goes on. We are surprised only by the lack of public recognition of this force to date in view of the powerful factor it was in the 30's when it had reached only flea-bite proportions compared with today's situation.

V. Newman Rejoins Barcus, Kindred & Co.

Special to THE FINANCIAL CHRONICLE

CHICAGO, ILL.—Vincent E. C. Newman has rejoined the staff of Barcus, Kindred & Co., 231 South La Salle Street. Mr. Newman has recently been associated with James C. Tucker & Co., Inc., of Austin, Tex., as Vice-President.

A. G. Becker to Acquire N.Y. Exch. Membership

CHICAGO, ILL.—A. G. Becker & Co., 120 South La Salle Street, members of the Chicago Stock Exchange, will become members of the New York Stock Exchange, when Irving H. Sherman, a member of the firm acquires the Exchange membership of Roswell G. Hawkins.

Mahlon Bradley to Be Paul Davis Partner

CHICAGO, ILL.—Mahlon O. Bradley will be admitted to partnership in Paul H. Davis & Co., 10 South La Salle Street, members of the New York Stock Exchange and other leading Exchanges, on Aug. 1. Mr. Bradley for many years was with Paine, Webber, Jackson & Curtis and its predecessors.

A Program of Stabilized Abundance

By JEROME M. NEY*

Chairman of Board, American Retail Federation

Speaking in opposition to "planned economy," retailers' spokesman says present prosperity is not normal and its stimulants are diminishing. Warns consumers' real incomes must be increased and counterbalanced by increasing productivity and proper sharing of such gains between higher wages, higher profits and lower prices. Sees need for careful tax revision and correction of price maladjustments.

The popular idea of "planning" is that it involves a system of detailed economic restraints, guides, controls and supports for business. I am against that sort of straitjacketing of the economy. What I am for is the opposite of that. I simply favor an orderly, integrated handling of the policies and measures, domestic and foreign, necessary to a normal, orderly government. These policies should be constructed with the idea of creating an atmosphere in which business will be encouraged to do what it should do.

Jerome M. Ney

It is the function of business to expand steadily and in expanding to pass on to consumers the benefits of greater productivity in the form of higher wages and lower prices. This is the regenerative economic process on which our capitalistic-industrial democracy has grown.

The basic interests of American retailers and consumers virtually are identical. Both benefit from a maximum flow of goods at reasonable prices. They suffer alike when some economic maladjustment slows down production.

Retailers and consumers have a common stake then, in the goal of the Employment Act of 1946. That goal is a steady high production. This, in turn, should result as in the past in even better wage standards and in lower prices.

There is no reason to become defeatists and accept a reversal in trend as inevitable. The job is to apply our intelligence openmindedly to planning well timed stimulations that will result in the creation of more goods in an economy characterized by an always widening productive potential.

This is not the sort of thing that "just happens." It cannot be done by slogans and phrases. It is an engineering, not a propaganda problem. We must, in peace, strive and work as hard for full production and stabilization as we did in war.

We dare not forget that failure to keep the economic fly-wheel in proper motion makes terrific exertions necessary in order to build up speed again. This is sheer economic waste. A fraction of what we spend in regaining lost speed, applied at the proper time, would give great gains where we record losses.

Your committee has a vast opportunity and a heavy responsibility. It is your task to provide the nation, the individual members of Congress, and particularly the specialized committees of Congress, with a balanced picture of our national economic needs.

Under your guidance, legislative actions on specific economic problems must be dovetailed into a well-conceived pattern that fits these broad needs. This the Joint Committee is in a position to accomplish.

The Employment Act also places a heavy responsibility upon every economic group in our nation to promote the general public interest better than in the past.

As individuals and as members of special interest groups, we compete for bigger shares of the nation's output. This competition is healthy. It represents one of our basic freedoms. But too often we abuse this freedom, particularly when we compete in that middle ground where politics and economics meet.

Too often we fail to appreciate the character of our own basic interest as members of particular groups. Even more often we fail to discern the important relation of our own interest to the broad public interest.

We are honored to participate in the forum which this committee provides for examining the broad needs of our economy. In the time allotted I wish:

(1) To review the current situation from a retailer's standpoint and suggest some of the problems we see in it;

(2) To define a set of economic benchmarks for measuring our performance over the next few years;

(3) To sketch out a few of the component parts of a peacetime stabilization program for America.

The Situation in Retailing

The retail industry, like most American industries, has prospered greatly since the end of war. Dollar sales climbed to an all-time peak in 1946. Over-all they have held up quite well since then.

But the total sales figures disguise important developments. First of all, most of the increased dollar figures since last June reflect higher prices, not higher physical volume. Physical sales have been turning down sharply in some areas and lines. The continued rise in durables is being offset by declines in soft goods and specialties. Second, dollar sales have been leveling off and in some fields have already declined substantially.

In the 12 months preceding April of this year, retailers added $3.2 billion (roughly 45%) to the value of inventories. Again, much of this increase reflects higher prices, not physical enlargement. The bulk of lower quality wartime merchandise has been cleaned out.

Of particular significance, the rate of retail inventory accumulation has fallen off sharply in recent months. Total retail inventories actually declined slightly between April and May. With few exceptions retail shelves are full today. Unless these inventory purchases are replaced by increased consumer buying, manu-

(Continued on page 26)

*Part of statement by Mr. Ney before the Joint Congressional Committee on the Economic Report, July 14, 1947.

Public Utility Securities

Integration Programs Speeded Up

The Public Utility Holding Company Act was enacted by Congress in 1935 after a good deal of acrimonious debate in the newspapers and in Congress. In the early years in which the SEC attempted to enforce it, progress in interpreting the Act was slow, due to frequent administrative changes in the SEC as well as continued resistance by the holding companies to any real "break-up" programs. The SEC invited the holding companies to submit their own programs but when these were filed, it became evident that the managements wanted to take advantage of the confused wording of the Act—as might have been expected—and retain as many "systems" and companies as they thought they could get away with.

The Commission then took the other tack and issued the famous "death sentences" which went to the other extreme. This scared the investors in holding company securities, resulting in the utility bear market of 1942 (when 1932 lows were duplicated or exceeded in many cases). The Commission, realizing that it could not "sell the holding companies down the river" under these conditions without becoming subject to investors' hostility, did not try to enforce the two years' time limit contained in the Act. The holding companies, finally convinced that the Supreme Court would not come to their rescue as it might have in pre-New Deal days, began to meet the Commission half way. The "death sentences" lost their sting. Workable plans began to emerge. Step by step the unscrambling process got under way.

It became obvious in the early stage that the principal problem of holding company integration was to retire the senior securities, after which remaining assets could be divided pro rata among the common stockholders. This proved difficult because holding company managements always wanted to postpone selling securities in the open market, hoping to get better prices; due to the leverage factor, this would improve the liquidating value of the common stocks—which in most cases controlled directorates. To avoid this difficulty, and save banking commissions and taxes, the idea was developed of distributing "packages" of securities to senior security-holders, perhaps with a little cash thrown in.

Such exchanges might be either voluntary, or mandatory (enforced by court order against all holders). The basic difficulty with the voluntary method has been the slowness of the SEC to approve proposed terms, so that in a number of cases the proposals either died a natural death or proved ineffective due to changes in market conditions. The mandatory plans suffered from the same difficulty, with added complications and delays due to court appeals; on the other hand once they passed the final appeal period successfully, they solved the whole problem—whereas a voluntary plan seldom succeeded in retiring the whole issue at once.

During the approximate 12-year period in which the SEC has administered Section 11 of the Utility Act, it is estimated that the holding companies, voluntarily or under orders, have disposed of over 200 properties for which they received in excess of half a million dollars each—plus perhaps twice that number of smaller properties. The number of large units, with a value of $10,000,000 or more, was comparatively small—only about 33. Most of the program consisted in disposing of small outlying properties which should never have been purchased in the first place; and a number of miscellaneous services such as ice, water, etc., were dropped. The holding companies, particularly systems like Associated Gas and Middle West, went through a "slimming process."

Following is an estimate of the approximate values of operating company securities which have "come on the market," either by sale to the public, sale to individual operators, or distribution to securityholders of the holding companies:

Year—	Millions of Dollars
1936	3
1937	5
1938	15
1939	122
1940	38
1941	94
1942	56
1943	298
1944	218
1945	185
1946	256
1947 (1st half)	161

With a large amount of groundwork accomplished, it is obvious from the 1947 figures that the distribution program has been speeded up. One of the newer methods has been to sell holdings to stockholders through issuance of rights. But obviously the mass-liquidation program can't be speeded up much further without unsettling the utility market, which is already somewhat "soggy." It will probably take a few more years to complete the whole program, despite the accelerated pace.

COMING EVENTS
In Investment Field

Aug. 10-14, 1947 (Boston, Mass.)
National Security Traders Association annual convention at the Hotel Statler.

Sept. 20, 1947 (Chicago, Ill.)
Municipal Bond Club of Chicago Outing.

Nov. 30-Dec. 5, 1947 (Hollywood, Fla.)
Investment Bankers Association Annual Convention at the Hollywood Beach Hotel.

NYSE Clarifies Floor Trading Curbs

Informs members of restrictions in line with policy recently adopted.

Following out its policy of regulating floor trading in accordance with arrangements made after the SEC more than a year ago had made a tentative proposal for prohibition of this business by Exchange members, the New York Stock Exchange has issued instructions clarifying its present floor trading restrictions.

The new regulations restrict the number of shares a floor trader may purchase under specified price movements. He may not buy more than 300 shares, or 30% (whichever is the greater), of the amount of stock offered on a rising market, except when purchases are made in a short covering operation. The rule does not apply if an interval of a quarter of an hour has passed during which no purchases by floor traders have been made on the Exchange in that stock. Traders, when acting as "specialists" in a security, are not subject to the floor restrictions.

Northern Trust Co. Promotes Three

CHICAGO, ILL.—The Board of Directors of The Northern Trust Co. has announced the promotion of Warren F. Sarle, bond, and Alan R. Kidd, banking, from Second Vice-Presidents to Vice-Presidents, and of Dean Phemister from investment research to an attorney. All have been with the bank for some time.

Thornton & Co. Hearing Postponed by SEC

The Securities and Exchange Commission announced that it had postponed until Sept. 15 the hearing scheduled for Aug. 6 on the question of whether to revoke or suspend the registration of Thornton & Co. of New York as a broker and dealer. The postponement was asked by attorneys for the company and the Commission.

Frank P. Schmidt Dead

Frank P. Schmidt, partner in Filer, Schmidt & Co., New York City, died on July 20.

Dealer-Broker Investment Recommendations and Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Banks and Trust Companies of New York—Comparative figures as of June 30 on leading banks and trust companies—New York Hanseatic Corp., 120 Broadway, New York 5, N. Y.

Chart Patterns—Leaflet of market opinion—Hirsch & Co., 25 Broad Street, New York 4, N. Y.

International Bank for Reconstruction and Development—Booklet describing bank, its history and its functions—The First Boston Corp., 100 Broadway, New York 5, N. Y.

Oil Industry—Study of industry and outlook, containing special tabulation of estimated total proven reserves of the individual companies—Bache & Co., 36 Wall Street, New York 5, N. Y.

Opportunities in Railroad Securities—Memorandum for dealers only—Kalb, Voorhis & Co., 15 Broad Street, New York 5, N. Y.

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Central Vermont Public Service Co. — Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Central Zone, Inc.—New statistical report—Amott, Baker & Co., Inc., 150 Broadway, New York 7, N. Y.

Also available is a new statistical report on A. M. Greenfield & Co., Hotels Statler, 79 Realty Corp., and 500 Fifth Avenue.

Cities Service Co.—Detailed review—Newburger, Loeb & Co., 15 Broad Street, New York 5, N. Y.

Cleveland-Cliffs Iron Co.—Circular on the new consolidated company—Gottron, Russell & Co., Union Commerce Building, Cleveland 14, Ohio.

Cluett, Peabody & Co., Inc.—Analysis of growth potentialities in view of expanding market for the Sanforizing process of preshrinking cotton and rayon materials—Bruns, Nordeman & Co., 60 Beaver Street, New York 4, N. Y.

Earnings Comparison for second quarter of 1947 of **19 New York City Bank Stocks** — Circular — Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Fairbanks Co.—Circular—Ward & Co., 120 Broadway, New York 5, N. Y.

Also available are memoranda on **Taylor Wharton Iron & Steel; Purolator Products; Upson Corp.; United Artists; Vacuum Concrete; Fleetwood Air Flow; Lanova Corp.; Lawrence Portland Cement; Sterling Motors.**

Federal Water & Gas Corp.—Memorandum in the current issue of **Preferred Stock Guide**—G. A. Saxton & Co., Inc., 70 Pine Street, New York 5, N. Y.

Firemen's Insurance Co.—Analysis—Butler-Huff & Co. of California, 210 West Seventh Street, Los Angeles 14, Calif.

Also available is an analysis and summary of **The American Insurance Co.,** and a tabulation of **Bank Earnings** for the first half of 1947.

Gerity-Michigan Die Casting Co. —Memorandum—Bond & Goodwin, Incorporated, 63 Wall Street, New York 5, N. Y.

Investment Issues With 50-Year Dividend Records—A list of 25 issues—Bond & Goodwin, Inc., 63 Wall Street, New York 5, N. Y.

Long Bell Lumber Company—Detailed analysis — Comstock & Co., 231 South La Salle Street, Chicago 4, Ill.

Mathieson Alkali Works, Inc.—Analysis—Hayden, Stone & Co., 25 Broad Street, New York 4, N. Y.

Minnesota Mining and Manufacturing Co.—Analysis of manufacturer of abrasives, scotch tapes, etc.—Estabrook & Co., 40 Wall Street, New York 5, N. Y.

National Terminal Corp.—Memorandum for dealers only—Adams & Co., 105 West Adams Street, Chicago 3, Ill.

Northern Pacific Railway—Analysis and opinion—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Parker Pen Co.—Timely background story in the July issue of **"Business and Financial Digest"** —Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis.

Public National Bank & Trust Co.—Analysis—C. E. Unterberg & Co., 61 Broadway, New York 6, N. Y.

Also available are analyses on **Stern & Stern Textile, Inc., and Rome Cable Corp.**

Radio-Keith-Orpheum Corp.—Memorandum—A. M. Kidder & Co., 1 Wall St., New York 5, N. Y.

Railroad Developments — Current action in the field during the week—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

R. J. Reynolds Tobacco Co.—Analysis and summary—E. F. Hutton & Co., 61 Broadway, New York 6, N. Y.

Rockwell Manufacturing Co.—Memorandum and descriptive brochure—Scherck, Richter Co., Landreth Building, St. Louis 2, Mo.

Seminole Oil & Gas Corp.—Analysis and opinion—F. H. Koller & Co., Inc., 111 Broadway, New York 6, N. Y.

Southwestern Public Service Co. —Memorandum—Buckley Brothers, 1420 Walnut Street, Philadelphia 2, Pa.

Also available are memoranda on **Warner Company and The Gruen Watch Co.**

Sterling Motor Truck Co.—Analysis and outlook—Ward & Co., 120 Broadway, New York 5, N. Y.

Utica & Mohawk Cotton Mills, Inc. — Circular — Mohawk Valley Investing Co., Inc., 238 Genesee Street, Utica 2, N. Y.

Wellman Engineering — Memorandum on 4% convertible debentures due 1956—Seligman, Lubetkin & Co., Inc., 41 Broad Street, New York 4, N. Y.

Also available is an analysis of **Osgood Co.**

The Marshall Plan—Aid to the International Bank

By ERNEST H. WEINWURM

Mr. Weinwurm points out implementation of Marshall Plan would afford opportunity for World Bank to obtain better lending terms. Sees means of furnishing transportation and agricultural equipment to European nations through loans to be collateralized by such equipment and rented to member nations. Holds this would give Bank's debentures stronger backing.

Events are moving pretty fast these days. Policies that had been worked out slowly and carefully over an extended period may become obsolete and virtually useless as a result of some unexpected development. The World Bank has just begun to put to work its carefully laid out plans: it has granted its first loan and has floated successfully its initial issue of debentures. Yet the appearance of the Marshall Plan cannot fail to have great influence upon the Bank's future policies in many ways. The Bank, undoubtedly, will have to review them with a view to the Marshall proposals and may have to change or to modify some of its procedures.

Ernest H. Weinwurm

From an overall standpoint, the Bank may expect to derive considerable advantages from the operation of the Marshall Plan. This should strengthen its determination to go ahead with its review without undue delay. Every effort should be made to exploit fully the favorable turn of events and to strengthen the foundations of the new organization. Procedures which had to be adopted as a matter of temporary expediency should be discontinued as soon as possible.

The experts who—during the war—blue-printed the financial aspects of postwar rehabilitation planned a development in three principal stages. During the initial period, the immediate needs for relief and rehabilitation would be taken care of by the governments themselves either directly or through such organizations as UNRRA. Practically all international lending would have to be done between government agencies as well. But these activities were to be restricted as soon as possible during the second period. The World Bank was allotted a prominent place in achieving these ends. Private funds were expected to be raised through the Bank's activities in sufficient amounts so as to enable it to grant large-scale reconstruction loans. The Bank's debentures were guaranteed by the member countries and this was held an appropriate basis for selling the required amounts of bonds in countries with available capital surplus funds. Moreover, private lending would be resumed gradually and, finally, would be able to take up the full burden of capital supply in the third period.

Obviously enough, the planners underestimated widely the magnitude of the task to be performed and the time required for the return to "normal" lending procedures. The Marshall Plan itself is an implied admission that the initial-period methods could not be discontinued as expected but need to be continued on an even increased scale.

World Bank Had to Start Operations Under Most Unfavorable Conditions

These are facts which are widely accepted today. Yet it took considerable time for a full realization how far actual developments had fallen behind the expected time schedules. The World Bank made an effort to handle the situation "according to plan" but it failed not as a result of inefficiencies, as some observers were quick to point out, but rather as an unavoidable consequence of the fact that conditions turned out to be much less favorable than had been estimated in advance.

Political influences slowed down the progress of European reconstruction; they are well known and do not require any discussion. Yet the blue-prints had relied on a "cooperation of the victors" which did not materialize. Strong efforts were made in this country to stop or at least reduce governmental foreign lending to make possible tax and debt reductions. The World Bank had been described as the special outfit to serve as an adequate and appropriate source for reconstruction funds. Thus member nations lined up hopefully for accommodation by the Bank's available funds were limited and insufficient for the job it was expected to perform. Moreover, while the risks appeared to be much greater than had been assumed investors showed reluctance to support the new and untried organization.

The result was general dissatisfaction with the Bank's activities; it was blamed for a situation which was as unfortunate as it was unexpected to the parties concerned.

The Bank's management had no doubt about the prevailing conditions and was most reluctant to start lending operations. However, as the only possible source of funds it was subject to very strong pressures and, finally, granted its first loan as a sort of "emergency operation." In the circumstances, the outlook did not appear too favorable.

Marshall Plan Should Afford Great Relief to the Bank

Announcement of the Marshall Plan has changed that somber appraisal almost overnight. The Bank is given a chance to be freed from responsibilities it had never been designed to accomplish or been able to fulfill. Lack of support from other quarters had forced the Bank to defend a very long front line with inadequate forces. The results were quite naturally most disappointing. Now the Marshall Plan is designed to mobilize strong additional reserves which should reinforce the line in the not distant future. This should enable the Bank to concentrate its own resources in one single sector best suited to its peculiar brand of activity. Selection of that sector will be one of the most crucial decisions to be made by the Bank in the next few months. It will undoubtedly greatly affect the Bank's future. Some of the considerations as will influence this decision will be discussed later.

The Marshall Plan's outstanding feature is its insistance upon a cooperative effort of all European prospective borrowers. Their needs and problems will be considered as a unit rather than on a piecemeal basis.

This new doctrine of co-operation should have an important bearing on the World Bank's policies. As a matter of fact, the

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Outlook for Construction Industry

By FORREST W. PARROTT*

President, Associated General Contractors of America

Construction spokesman asserts $10 billions of new construction is in the "completed plan" stage, and $40 billions more contemplated. Says removal of government restrictions is welcomed by construction industry, but warns builders "can price themselves out of the market." Holds costs have reached peak and no drastic reductions can be expected. Sees immediate problem of increasing efficiency and economy in construction and more cooperation between engineers and contractors.

The future outlook for the construction industry is the same as the future outlook for the United States of America. Next to Agriculture it is the greatest industry in the nation. It provides the facilities through which our economic, social, health, and cultural activities are conducted.

It should be treated as a basic industry, fulfilling a public demand and when its products are paid for with public funds, they should be of direct benefit to the general public and should be provided through methods entailing the least cost.

F. W. Parrott

If this nation has a great future, then the construction industry likewise has a great future. America progresses through construction.

Specifically, more than $10,000,000,000 in construction projects is known to be in the blueprint, or completed plan stage. This is in addition to work already under way. Identifiable projects totaling more than an additional $40,000,000,000 are in other stages of planning. No one knows how much other work is being contemplated.

During the period that government restrictions were imposed on the start of new construction, projects valued at approximately $3,500,000,000 were denied permission to proceed. In addition countless others were deferred because owners did not believe the projects came within the criteria established for securing permission to proceed, or did not choose to go through the paper work necessary for approval.

There can be no doubt that whatever the figures may be, there is a tremendous volume of construction needed in this nation for many years, both to make up for the backlog that accumulated during the war period, and to care for the needs which are being created by growth and progress of the country.

Removal of Governmental Restrictions

Governmental restrictions on the start of new construction finally have been removed. Most parts of the construction industry for the past two years have repeatedly urged that the quickest way to bring about conditions under which projects could be executed most rapidly, efficiently and economically was to remove artificial restrictions upon the industry.

*An address by Mr. Parrott before the Quarterly Meeting of the American Society of Civil Engineers, Duluth, Minn., July 17, 1947.

The development of the nation depends upon new construction which can now proceed without direct government interference.

In the industry, we welcome this, but we also recognize that the responsibility for carrying out the volume of construction which the nation needs is now placed more squarely upon us.

Buyers' Resistance

But let us not fool ourselves. The situation at the present time is such that we can price ourselves out of a market.

During the past few months throughout the country many construction projects have been deferred because of current costs.

In my judgment this has been caused by four principal factors. They are:

(1) Waiting for a considerable drop in costs.

(2) Buyers' resistance to the prices of other commodities and services, which has discouraged investment for expanded business facilities.

(3) Incomplete recognition and understanding of the fact that all costs and prices must be substantially above those of prewar times.

(4) The fact that construction is a permanent investment.

We may complain, for example, at paying $1 a pound or more for meat, but we buy it and then forget about it. But we will think longer and harder about purchasing construction, although its price in comparison to prewar prices may have increased less.

Through the lack of proper understanding of cost levels which must prevail at the present time, the volume of construction can be drastically curtailed and the future of the industry made more difficult.

The price of construction is ultimately determined by general contractors in completing work to the specification of owners. Some of the factors that enter into that price are within control of the contractor; some are not.

Some are within your control as engineers in designing projects or supervising their construction. Whatever your connection with the construction industry, you are vitally interested in costs of projects, in holding them to the minimum consistent with quality.

This subject of costs I wish particularly to discuss with you. All responsible parts of the construction industry must work together to help bring about those conditions under which the construction can be carried out most promptly, efficiently and economically so that the public receives the maximum for its investment.

Construction costs are now high. In my judgment the increase above prewar costs is about the same as the general average for most other services and commodities, and is lower than some.

At their meeting in Seattle in May, members of the Governing and Advisory Boards of the Associated General Contractors of America, gave most serious discussion to this subject, and adopted a statement setting forth their views. What I shall say now will be based upon that statement because it holds good today.

First, it was found that although conditions in the industry vary widely in the different sections of the country, construction costs generally have reached their peak and are becoming stabilized.

Second, belief is that the efficiency and economy with which the industry can operate will improve. This will improve at a rate similar to that at which adjustments to new conditions are made by the entire economy.

Third, during a period which cannot be foreseen accurately, construction costs may decline gradually until they reach what can be considered the new normal levels. But in an economy which has been subjected to the inflationary pressures of World War II, construction costs generally cannot return to levels prevailing before the war unless the nation suffers an economic catastrophe. The level at which costs will stabilize will be substantially above prewar ones.

Fourth, the public should not be led to believe that there will be quick or drastic reductions in construction costs. There may be reductions in prices of materials and a better regulated supply. Decreases in wage rates are not foreseeable without a depression or a serious curtailment of construction activity.

Fifth, no single cause is responsible for current construction costs. Likewise no single cure can be found. Reductions in costs will come about through elimination of uncertainties in business conditions, increased productivity of workmen, a more regular supply of materials, increased efficiency by management, development of more economical methods of construction, and a number of other factors.

What is needed is cooperative action by all groups and individuals within the industry.

Recommendations to General Contractors

In the Associated General Contractors we made specific recommendations to general contractors

(Continued on page 39)

Bank and Insurance Stocks

By E. A. VAN DEUSEN

This Week — Bank Stocks

On the whole, current dividends of leading New York City banks appear secure. Most banks cover their dividends very comfortably by net operating earnings, exclusive of security profits. A few, however, have comparatively narrow margins.

Based on semi-annual reports for 1947, the current situation among leading commercial banks in New York City is as set forth in the following tabulation:

TABLE I

	Annual Div. Rate	*Net Earnings Half-Year 1947	Half Annual Div. Rate	Coverage Ratio
Bank of Manhattan	$1.20	$1.10	$0.60	1.83
Bank of New York	14.00	10.90	7.00	1.56
Bankers Trust	1.80	1.32	0.90	1.47
Central Hanover	4.00	3.00	2.00	1.50
Chase National	1.60	1.24	0.80	1.55
Chemical Bank & Trust	1.80	1.73	0.90	1.92
Commercial National	2.00	1.74	1.00	1.74
Continental	0.80	0.72	0.40	1.80
Corn Exchange	2.80	2.49	1.40	1.78
First National	80.00	40.59	40.00	1.015
Guaranty Trust	12.00	9.74	6.00	1.62
Irving Trust	†0.80	0.57	0.40	1.43
Manufacturers Trust	2.40	2.30	1.20	1.92
National City	1.60	2.01	0.80	2.51
New York Trust	4.00	3.47	2.00	1.73
Public National	2.00	2.09	1.00	2.09
U. S. Trust	35.00	18.12	17.50	1.035
Average of 17				1.68

*Includes security profits when reported. †Includes extras.

Average coverage ratio of the 17 banks is 1.68; the highest ratio is 2.51 of National City, and the lowest, 1.015 of First National. U. S. Trust's ratio is also very low. Perhaps these two banks can improve their positions during the second half of the year. Outstandingly good ratios, in addition to that of National City, are those of Chemical, Manufacturers Trust, and Public National. Another group, slightly below these four, but having ratios well above average, are: Bank of Manhattan, Commercial, Continental, Corn Exchange and New York Trust.

Deposits and total earning assets of New York banks registered their peak on the balance sheets of Dec. 31, 1945. Since then they steadily declined, quarter-by-quarter, to March 31, 1947. On June 30, 1947, however, a moderate increase was recorded in aggregate figures for the group of 17 banks, though this was not the experience of every bank in the group. Totals of the 17 banks as of Dec. 31, 1945, March 31, 1947 and June 30, 1947 are as follows:

Date	Deposits	Loans & Discounts ($000,000)	U. S. G. Securities	Total Earning Assets
Dec. 31, 1945	28,612	6,994	16,247	24,747
Mar. 31, 1947	22,976	6,258	11,675	19,331
June 30, 1947	23,221	6,280	11,659	19,362

It will be observed that the only item which declined during the second quarter was Government securities.

Deposits and principal earning assets of the individual banks between March 31 and June 30, 1947, are shown in Table 2.

TABLE II

	March 31, 1947 Deposits	Loans & Disc'ts ($000,000)	U.S.G. Sec.	Total Earn. Assets	June 30, 1947 Deposits	Loans & Disc'ts ($000,000)	U.S.G. Sec.	Total Earning Assets
Bank of Manhattan	980	404	321	771	1,005	415	356	817
Bank of New York	318	74	150	244	328	79	142	240
Bankers Trust	1,310	505	601	1,118	1,341	505	603	1,1[illegible]5
Central Hanover	1,472	400	768	1,239	1,431	408	689	1,177
Chase National	4,488	1,252	2,140	3,730	4,445	1,203	2,169	3,680
Chemical Bk. & Tr.	1,115	361	471	948	1,169	369	464	959
Commercial National	194	46	121	170	195	42	125	171
Continental	180	55	70	142	181	52	76	145
Corn Exchange	768	74	524	621	768	72	512	606
First National	619	81	463	631	704	124	467	680
Guaranty Trust	2,450	744	1,416	2,272	2,418	679	1,406	2,197
Irving Trust	975	303	505	839	1,036	301	543	874
Manufacturers Trust	2,104	469	1,183	1,734	2,113	450	1,179	1,711
National City	4,754	1,094	2,311	3,790	4,835	1,182	2,291	3,848
New York Trust	626	233	270	527	625	241	261	524
Public National	504	138	282	434	520	125	301	438
U. S. Trust	119	25	80	123	108	32	70	120
Totals	22,976	6,258	11,675	19,331	23,221	6,280	11,659	19,362

It will be noted that only five banks show a fractional decline in deposits, viz: Central Hanover, Chase, Guaranty, New York Trust and U. S. Trust. Other changes can be picked out by carefully scanning the table. Quarter to quarter changes are by no means conclusive, nevertheless, it is of interest that the steady decline since Dec. 31, 1945 appears to be stemmed and to have been reversed during the second quarter of 1947.

The careful student of bank stocks will be studying the quarterly changes from now on with increasing interest. The banks virtually hold no war loan accounts today, and the transition from a war economy has been completed. But normal peacetime conditions, as measured by pre-World War II standards, do not prevail. The United States have a staggering debt, a large proportion of which is held by the commercial banks of the country, and now constitute the largest single category of earning assets in the banks. In volume they are approximately twice that of commercial loans and discounts, whereas before the war Governments and loans were approximately equal in volume. It is pertinent, in closing, to remark that commercial loans of New York City member banks have been expanding irregularly during the past few weeks and are now reported at $4,157,000,000 which is not far below the 1947 high of $4,233,000,000 reported on April 2. The latter figure was an all-time peak for the New York banks, but a peak that may well be exceeded before many weeks.

A Program for Public Debt Management

By W. RANDOLPH BURGESS*
Vice-Chairman, National City Bank

Pointing out huge National Debt is inflationary threat and may rob us of human freedoms, Mr. Burgess suggests as program for its wise management: (1) keeping budget under control; (2) gradual debt redemption; (3) wide distribution of debt among investors; (4) reduction of wartime taxes; and (5) unfreezing of interest rates. Calls debt no bar to progress if wisely managed.

In his economic report to the Congress on Jan. 8, the President included as one of the means of achieving economic stabilization a "wise management of the public debt."

During the past 18 months I have been Chairman of a committee of citizens known as the Committee on Public Debt Policy, whose objective is to make recommendations on this subject. We have, so far, published three brief reports, and two more are on the press.† It may be useful for me to try to summarize briefly our conclusions up to this point.

W. R. Burgess

The principal danger of so huge a public debt does not lie, as some people have felt, in national bankruptcy or some sudden catastrophe such as might face an individual or a business with an overpowering debt. There is little or no danger that the Government will default on its obligations, for the Government itself prints the money with which all debts, including its own, are paid.

The dangers rather lie first in the dilution of our dollar. We now have a great many more dollars than we had a few years ago, but they don't buy as much. These dollars are a powerful inflationary force which threatens at any time to break out in price rises and economic disorder. Already the cost of living has risen over 50% and after a pause the pressure is again on for further increases. These are wicked forces which undermine some of the most precious of our human and economic possessions. They undermine thrift; they undermine the well-being of the middle classes which is the greatest strength of any civilization.

The second danger is that the management of the huge debt will dictate such controls and such regulation of our life that it will strangle the growth of our country and rob us of some of the human freedoms which we treasure. This would be the consequence of long continued, excessive taxation, or of the freezing of interest rates at an artificially low level so that they could not perform their normal economic function. This in turn would encourage the use of the more direct Government controls over the country's economic life, such as are today hamstringing the countries of Europe.

Based on the studies of our committee, I suggest the following points in a program for a wise management of our public debt.

1. Control the Budget

The first step in dealing with the debt is to get the national budget under control. The President found it necessary to lay before the Congress in January a 37½ billion budget. This budget is four times as much as in the biggest peacetime spending years before the war. The budget would provide for the Government's controlling and spending between 20 and 25% of all the money the people of the U. S. earn—that is, the total national income. Even this huge budget made no substantial provision for reducing the national debt.

The country is now in the midst of a business boom, with a national income twice as high as before the war. This boom is supported by a huge accumulation of funds as a result of war financing, coupled with a large deferred demand for goods. This combination creates the boom. We cannot expect the boom to continue indefinitely. Therefore, a budget barely balanced, at a tax level which places a serious burden on all the people and on business, is a budget out of control. The country's first task in any program of debt management is to reduce Government spending.

2. Reduce the Debt

We must begin at once to reduce the debt and so lessen the dangers I have suggested. There is another reason why we cannot risk continuing the debt at this high level: we can never tell when another national emergency may arise, and we don't want to be caught then with so large a debt.

The amount of debt retirement should be related to the prosperity of the country, and in a good year we can and ought to retire more debt than in a year of reduced income. The present period of boom prosperity is one in which we ought to make a good beginning at debt retirement.

3. Distribute the Debt

The national debt is most dangerous when it is held by the banks, for in that form it adds to the money supply, and the money supply is the inflationary factor. If money exceeds goods it tends to force prices up. So in addition to making every effort to reduce the total amount of the debt, it is sound fiscal policy, especially in times of prosperity, to distribute as much as possible of the debt into the hands of investors other than banks, who will hold the debt securely out of the current stream of spending.

It was for this reason that the Treasury adopted the policy of selling savings bonds to as many people as possible. A wide distribution of Government bonds in the hands of millions of people is also a safeguard to the welfare of the nation, for these bonds provide a cushion for use by these people in lean years, against depression or unemployment. The continued vigorous sale of savings bonds is sound policy.

In addition to the sale of savings bonds it is desirable for the Treasury to be constantly alert to the markets for Treasury long-term bonds. As fast as insurance companies, savings banks, trust accounts and individuals have money which they are willing to put into long-term government bonds it is sound public policy for the Treasury to issue and sell quantities of these bonds adapted to the market.

4. Reduce Wartime Taxes

At the end of each great war the national debt has seemed to the

(Continued on page 35)

*Statement by Mr. Burgess before the Joint Congressional Committee on the Economic Report, Washington, D. C., July 17, 1947.

†A summary of the third of these reports, on the Federal Debt and Spending, appears on page 20 of this issue.—Editor.

To the Stockholders:

There are submitted herewith Consolidated Balance Sheet, Income Account and Statement of Earned Surplus, prepared and certified by independent auditors—these showing the result of the operations of your Company and its subsidiaries for the fiscal year ended April 30, 1947 and their condition at the close of that year.

As shown by such statements, the Net Earnings for the year amounted to $5,176,041.80—this after all charges, including depreciation and taxation, Federal, State and local. Out of such earnings there have already been declared three dividends, each of 1¾%, upon our preferred shares. It is expected that shortly there will be declared, out of the year's earnings, a fourth dividend of like amount upon such shares, thus completing the payment, warranted by the earnings, of the full amount (7% for the year) to which the holders of our preferred shares are preferentially entitled. And coincident with the declaration of such fourth dividend upon the preferred shares, it is expected that there will be declared a dividend upon our common shares outstanding.

The year closed with business on the books of your Company and its subsidiaries having a dollar volume in excess of Two Hundred Twenty-nine millions. At this writing the volume of such business has expanded to somewhat more than Two Hundred Fifty millions—this notwithstanding the deliveries, in fair volume, that have been made since the close of the year against business on the books at that date.

In the letter accompanying the report for our preceding fiscal year, that ended April 30, 1946, it was said

> "In the domestic field, the need of the railroads for additional equipment is still crying and to a large extent unsatisfied",

and reference was made to the labor and other difficulties experienced by the suppliers of the material, raw and fabricated, needed by us for the completion of our product—this naturally having its reflection in a slowing-up of the normal flow of our finished product.

The conditions, so adverted to, still prevail, though in a lessened degree. The railroads are keenly alive to the necessity of increasing and improving the amount and the quality of their rolling stock to meet the current and prospective demands upon their capability for the adequate handling of the products of the commerce and industry of the country, and are making strenuous efforts to that end. In such efforts your Company is cooperating to the fullest extent of its ability, but is still hampered by the difficulty of obtaining from its suppliers the full quantity of the basic and other materials needed in its manufacturing operations.

This condition—on the one hand, the vast amount of business on our books, necessitating the accumulating, as available, of the diverse materials needed for its production and, on the other, the difficulty of procuring the flow of such materials in the sequence and quantity as needed for the normal and orderly progress of our manufacturing activities—accounts for the size of our inventory and the need of the bank loan shown on the balance sheet—inventory items being payable by us on receipt while we must wait for our payment until the completion of the particular work for which such items are needed.

In the same letter it was said that in the foreign field there had not "as yet developed an insistent demand for our products" the need for which exists but with the likelihood "that the placing of definitive orders to fill such need will be deferred until the intricate and difficult financial and other questions involved in the making of the peace are nearer solution than they now are".

That condition still obtains. The fundamental problems involved "in the making of the peace" seem at this writing to be somewhat nearer solution than they were a year ago—possibly because of a clearer comprehension of, and a more realistic approach to, those problems than was then the case. The finding of a solution is an inescapable necessity if a peaceable world is to endure, and the impossibility of finding a solution is unthinkable. That a demand exists for our Company's products for use in the foreign field is unquestionable, as is evidenced by the numerous inquiries, tentatively made and now pending and subject to being translated into definitive orders when the problems referred to reach their solution. That there is faith in such ultimate solution may be found in the fact referred to in the letter already quoted from, that at that time there had been placed with our Company "orders for equipment in substantial volume". Such orders were largely filled during the year recently closed, and with results entirely satisfactory to your Company.

During the year your Directors approved as advisable and in the best interests of the Company the setting-up of an Employees' Welfare Plan, effective as of May 1, 1946, involving, among other things, provision for the retirement of officers and employees upon reaching a certain age and who because of years of service faithfully rendered are justly entitled to some assured income after their active participation in the business and affairs of your Company shall have come to an end.

The reasons for the promulgation of such Plan and the benefits to accrue to your Company because of it, were set forth at length in the letter of March 7th to our stockholders and in the "proxy statement" required by the rules of the Securities and Exchange Commission. The Plan, as proposed, was submitted to the stockholders at a special meeting called for its consideration, was approved with but a negligible dissent and is now effective. Your Management is glad to report that its expectations as to the benefit to accrue to the Company from the adoption of this Plan are now in course of realization.

Shortly after the beginning of our fiscal year recently closed there came the avalanche of the so-called "portal-to-portal" suits—these involving claims of questionable validity but running into astronomical figures, against the major employers of industrial labor, including your Company. The danger presented by these suits was such as to call for remedial legislation, which was in due time enacted and is now in force. While, because of such legislation, a number of such suits have already been discontinued yet there remain a number still pending. The legislation referred to involves some questions of constitutional law which as yet remain unadjudicated—and until such questions are finally passed upon by the highest judicial tribunal it cannot be said with any degree of certainty as to what, if any, liability industry may be subjected because of the claims so made.

A short time prior to this writing the legislation generally known as the Taft-Hartley law was enacted and is now effective. It is too early to venture a prediction as to the effect this legislation will have upon the labor relations of the country's industries—yet because of the nature and complexity of the questions involved it may fairly be assumed that there will be a period of more or less industrial disturbance and unrest until those questions are authoritatively settled and the working basis of the law firmly established—and for the accomplishment of this the utmost of patience and moderation on the part both of management and of labor is imperatively called for.

At the close of the year Mr. Frederick A. Stevenson, who had served your Company in various capacities for more than forty-eight years and as its President since April 5, 1944, relinquished the Presidency and retired as a member of the Board of Directors. Mr. Charles J. Hardy, Jr., who had previously served the Company as its Executive Vice President, succeeded Mr. Stevenson in the Presidency and Mr. Howard C. Wick, who had served as Secretary of the Company since 1916 and for many years in other capacities prior to that date, was elected a member of your Board in succession to Mr. Stevenson. During the year, Mr. Robert W. Ward, for many years in charge of our plant at Huntington, W. Va., was made a Vice President of your Company and put in charge of its productive activities.

ACF

AMERICAN CAR AND FOUNDRY COMPANY

FORTY-EIGHTH ANNUAL REPORT—YEAR ENDED APRIL 30, 1947

CONSOLIDATED BALANCE SHEET APRIL 30, 1947

ASSETS

PLANT AND PROPERTY ACCOUNT (See Note 1)			$ 71,362,859.73
Land and Improvements		$ 7,187,909.16	
Buildings, Machinery and Equipment	$98,746,507.69		
Less: Amortization and Reserve for Depreciation	53,467,999.81	45,278,507.88	
Intangibles		18,896,442.69	
CURRENT ASSETS			73,222,967.75
Cash in banks and on hand		$ 7,256,382.97	
U. S. Government Bonds and Treasury Tax Notes at cost (Quoted market value $4,027,625.01)		4,033,281.26	
Accounts Receivable, less reserve		12,879,688.68	
Notes Receivable, less reserve (Includes $626,223.47 maturing subsequent to one year)		1,102,741.36	
Inventories at cost or less, and not in excess of present market prices		46,201,178.94	
Marketable Securities, at cost or less (Quoted market value $2,029,945.45)		1,749,694.54	
PREPAID TAXES, INSURANCE, AND LIKE ITEMS			980,503.00
MISCELLANEOUS SECURITIES, less reserve			107,979.19
			$145,674,309.67

Note 1: Plant and Property of Parent Company included in above valuations were inventoried and valued by Coverdale & Colpitts, Consulting Engineers, as of April 30, 1939, on the basis of values at March 1, 1913, with subsequent additions at cost, except that with respect to a company acquired and liquidated during the previous fiscal year, the assets were taken at appraised values with such appraised values in respect to Plant and Property reduced by the excess of equities so valued over cost of the capital stock purchased. Plant and Property of Subsidiary Companies are included at cost.

LIABILITIES

CAPITAL STOCK		
Preferred: Authorized and issued 300,000 shares—par value $100.00 per share	$30,000,000.00	
Less: 10,550 shares of Treasury Stock	1,055,000.00	$ 28,945,000.00
Common: Authorized and issued 600,000 shares—no par value	$30,000,000.00	
Less: 600 shares of Treasury Stock	30,000.00	29,970,000.00
CURRENT LIABILITIES		22,896,351.73
Bills Payable—Banks	$ 5,000,000.00	
Accounts Payable and Pay Rolls	12,948,534.46	
Provision for Federal, State and Local Taxes	3,400,065.78	
Advance payments received on sales contracts	1,222,751.49	
Sinking Fund requirement due March 31, 1948, under Indenture securing debenture issue of Shippers' Car Line Corporation	325,000.00	
3% SINKING FUND DEBENTURES OF SHIPPERS' CAR LINE CORPORATION, A CONSOLIDATED SUBSIDIARY, DUE APRIL 1, 1961		4,800,000.00
MINORITY INTEREST IN CONSOLIDATED SUBSIDIARY		5,593.11
RESERVE ACCOUNTS		14,161,259.99
For Employees' Welfare Plan (See Note 2)	$ 4,958,726.12	
For Contingencies	8,466,789.13	
For Dividend on Common Capital Stock, to be paid when and as declared by Board of Directors	735,744.74	
CAPITAL SURPLUS, See Statement		2,949,390.88
EARNED SURPLUS ACCOUNT, See Statement		41,946,713.96
		$145,674,309.67

Note 2: $5,554,278.00 was transferred from surplus to cover provision for employees' retirement cost applicable to past services against which there has been charged for payments the net amount (after tax benefits) of $595,551.88.

STATEMENT OF CONSOLIDATED EARNED SURPLUS

Balance, May 1, 1946			$ 41,045,022.16
Add: Amount transferred from Reserve for Contingencies		$ 5,104,278.00	
Net Earnings for year		5,176,041.80	10,280,319.80
			$ 51,325,341.96
Deduct: Dividends paid during the year on capital stock publicly held, viz.:			
On Preferred, $3.50 per share from earnings for year ended April 30, 1946 and $3.50 per share from earnings for year ended April 30, 1947	$ 2,026,150.00		
On Common, $3.00 per share	1,798,200.00	$ 3,824,350.00	
Amount transferred to Reserve for Employees' Welfare Plan to cover provision for employees' retirement cost applicable to past services		5,554,278.00	9,378,628.00
Balance, April 30, 1947			$ 41,946,713.96

STATEMENT OF CONSOLIDATED CAPITAL SURPLUS

Balance, May 1, 1946 representing the excess of acquired equities over capital stock costs upon consolidation of Shippers' Car Line Corporation and its subsidiaries	$ 2,397,719.32	
Add: Adjustment of above through purchase of an additional nine shares of common stock	70.81	$ 2,397,790.63
Adjustment of Excess of par value of 10,550 shares Preferred and stated value of 600 shares Common Treasury Stock over cost		551,600.25
Balance, April 30, 1947		$ 2,949,390.88

STATEMENT OF CONSOLIDATED INCOME ACCOUNT

Gross Sales and Car Rentals, less discounts		$132,820,243.81
Cost of operations, including Administrative, Selling and General Expense, but before Depreciation		121,875,967.83
		$ 10,944,275.98
Depreciation		2,922,210.46
Earnings from Operations		$ 8,022,065.52
Other Income:		
Dividends	$ 134,096.67	
Interest	819,289.73	
Royalties	33,685.61	
Miscellaneous	19,261.92	1,006,333.93
		$ 9,028,399.45
Other Charges:		
Interest	$ 180,372.95	
Royalties	347,562.69	
Property Retirements	455,440.22	
Miscellaneous	116,434.33	
Loss on Sale of Securities	6,353.31	1,106,163.50
Net Earnings before Provision for Federal Income Taxes		$ 7,922,235.95
Deduct—Provision for Federal Income Taxes (See Note)		2,746,194.15
Net Earnings Carried to Surplus		$ 5,176,041.80

Note: Federal taxes are shown before tax benefit of $363,203.55 as a result of charges made to the Reserve for Employees' Welfare Plan. This saving has been credited to said reserve.

ERNEST W. BELL AND COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
25 Beaver Street, New York

To the Stockholders of
American Car and Foundry Company,
30 Church Street, New York City.

We have examined the Consolidated Balance Sheet of the American Car and Foundry Company and its subsidiaries as of April 30, 1947, and the Consolidated Statements of Income and Surplus for the fiscal year then ended, have reviewed the systems of internal control and the accounting procedures of the companies, and without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, the accompanying Balance Sheet and related Statements of Income and Surplus present fairly the consolidated position of the American Car and Foundry Company and its subsidiaries at April 30, 1947, and the consolidated results of their operations for the fiscal year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ERNEST W. BELL AND COMPANY

July 1, 1947

For the loyal and efficient support unstintedly given it during the year in furtherance of the interests of the Company and its stockholders by each and every member of your organization, your Management is glad to make of record, as it does hereby, its grateful acknowledgement.

As shown by the statements submitted herewith, the strong, healthy and liquid condition of your Company continues unimpaired—and there is apparent no reason to fear any change in such regard.

For the Board of Directors:
Respectfully submitted,
CHARLES J. HARDY,
Chairman.

July 1, 1947.

Railroad Securities

Atlantic Coast Line common has been among the better acting of the secondary rail stocks in recent markets, having recovered to above 55 from the low of 40½ established earlier this year. The present price is considered by many analysts as not reflecting too optimistic an appraisal of the company's basic status and earning power. This is particularly true inasmuch as it is indicated that a considerable cushion exists in maintenance expenditures in the event that traffic declines or there is a further significant increase in unit costs such as might constitute a serious threat to earnings. In recent years Coast Line has been engaged in a comprehensive improvement and rehabilitation program which has put considerable fat on the properties.

Despite the favorable basic considerations, which include continuing growth of the service area, there are a number of analysts who believe that the shares have outrun the bulk of similar quality rail shares. It is felt that on the basis of near and intermediate term earnings prospects the lower priced and higher yielding Southern Railway common may have better potentialities. Alternatively, it is felt that greater intrinsic investment value is to be found in the common stock of Atchison, Topeka & Santa Fe which affords a somewhat smaller income return at current levels. Both Santa Fe and Southern Railway, like Coast Line, benefit from growth characteristics of the territories served.

Coast Line's earnings have displayed wide improvement over a year ago so far in 1947. The trend of revenues has not been too impressive, having risen only 3.3% during the first five months. Also, transportation costs have shown little improvement. The transportation ratio for the period through May, 1947, was 40.7% compared with 41.4% a year earlier. The maintenance ratio, however, was cut from 41.9% to 36.3%. Also, non-operating income increased modestly. As a result, income available for charges before Federal income taxes jumped to $7,314,000 from $1,570,000 realized in the first five months of 1946. Per share earnings on the common stock reached $5.75 a share contrasted with a deficit a year ago.

On their face, the earnings results for the period through May would seem to indicate the possibility of full year earnings close to the 1941 result of $13.51 a share. Actually, however, it seems possible that the 1947 earnings may not run much above $6 a share. The financial community appears to have lost sight of the strong seasonal character of the business of some of the individual railroads. Seasonal variations were pretty well ironed out during the war years when there was a demand for all the transportation service that could be rendered by the railroads, and when army and navy camps in the south and west supplied roads in these areas with all of the passenger business they could handle all year round. Now, however, the seasonal influences are again apparent.

Accepting the 10 years 1932-41 as a normal cycle, Atlantic Coast Line averaged just about two-thirds of its net operating income in the first five months of the year. During that 10-year period, on the average, June and August contributed only nominally to net operating income and July brought an operating deficit. For the three months June-August the company just about covered bare operating costs. On the average, September and October ran about at the May level of net operating income and this year in May the company just covered its fixed charges. The last two months of the year would normally, on a seasonal basis, be calculated to produce sufficient income to offset the June-August losses.

Normally the market is not too concerned about seasonal losses. We have gone through such an extended period during which there were only minor seasonal fluctuations, however, that there is a tendency now to take month by month earnings at their face value without any adjustment. This tendency was dramatically demonstrated in the sluggish market action of Great Northern stock when that road reverted to its characteristically poor earnings in the opening quarter. Another factor that is apt to emphasize the seasonal low in Coast Line's business is that traffic has recently been running consistently behind a year ago.

T. Leo Reynolds Now With Dempsey & Co.

CHICAGO, ILL.—Dempsey & Company, 135 South La Salle Street, members Chicago Stock Exchange, announce the appointment of Leo Reynolds, formerly with Paul H. Davis & Co., as manager of their trading Department.

T. Leo Reynolds

J. Brandon Bruner With Cohu-Torrey in L. A.

Special to THE FINANCIAL CHRONICLE

LOS ANGELES, CALIF. — J. Brandon Bruner has become associated with Cohu & Torrey, 634 South Spring Street. Mr. Bruner was formerly Vice-President of the First California Company and prior thereto of Nelson Douglass & Co.

With King Merritt & Co.

Special to THE FINANCIAL CHRONICLE

LOS ANGELES, CALIF. — R. Earl Smythe has joined the staff of King Merritt & Co., Inc., Chamber of Commerce Building. In the past he was with Geo. H. Grant & Co.

Joins Slayton Staff

Special to THE FINANCIAL CHRONICLE

LOS ANGELES, CALIF. — Howard S. Brossard is with Slayton & Company, Inc., 3277 Wilshire Boulevard.

Prosperity Dependent on Steady Capital Goods Production

By ARTHUR R. UPGREN*
Associate Editorial Editor, The "Minneapolis Star"
Professor of Economics, University of Minnesota

Asserting swollen wartime incomes is due to "greenbackism," Professor Upgren points out it has stimulated enlarged productive capacity. Holds this cannot continue indefinitely and a collapse of capital formation is possible. As offsets to collapse, proposes: (1) residential construction between $5 and $10 billion annually; (2) highway building between $2½ and $5 billions annually; and (3) indirect stimulation of capital formation through reduced taxes, credit regulation and flexible wages and prices. Sees no need for application of these anti-depression policies in near future.

I do not see any serious threat to the extremely high level of employment, substantially more than 58 million, that will come this year, or next year, or even in the year after that. This is indeed our good fortune. It gives us an adequate period of time, in light of the complexities of the problems, to deal adequately with our needs for the longer-run period.

Arthur R. Upgren

It is not surprising that the United States has enjoyed and, since the end of the war, continues to enjoy overfull employment. No economy in the world's history has been as stimulated as has ours in these years.

There are many ways to review what happened during the war to make this result in the first years after the war almost inevitable. One is to state that—

On the side of goods: Since the end of the war the American people have been busily engaged in the happy pastime of trying and learning how to purchase enough to live up to their new-found state of money prosperity. Here is the basic source of the recent, past, immense, upward thrust to the economy.

On the side of money: Government had so much work during the war for the entire country to do that the net monetary national income as a result was more than doubled.

The larger income of the wartime years might be called the most striking case of "greenbackism" the world has ever seen. Our five-times-increased gold reserves mostly permitted it, and our immense productive power prevented its degeneration into sheer inflation. In war the country was soused about one foot deep with cash, and it was two feet in our agricultural areas.

As a result, our people are now engaged in making, for the first time that it has been possible, high peacetime outlays match their doubled incomes.

But as if this demand were not enough, immense amounts of deferred demand were also accumulated during the war. And for this, cash too was furnished. At the same time, to make such deferred demand to be effective cash-wise in the market place, the savings of the people of the United States increased by more than $200 billion during the war. (These national savings inescapably had to increase in an amount equal to the enlarged national debt.)

Ignoring price rises, the American people thus are able to buy far more goods than they have ever been able to buy before.

This has placed a severe strain on industry. Of it, one banker in the metropolis of a mid-west state a year or more ago observed to me:

"It looks to me like every industry in my state is trying to raise its productive capacity by 50%."

He was right. Allowing for the price rise, he hit the nail on the head.

In real terms (and if a general average may be used) the American people have a current money income fully large enough, at present higher prices, to buy just that much more in goods. And in the effort of private producers to enlarge their capacity all across the board is found the chief cause of the successful postwar reconversion of the American economy, yielding as it has 12,000,000 more jobs than we ever enjoyed in peace before.

The Arithmetic of Reconversion

The figures I next give indicate how we closed the gap, when government cut off more than $75 billion of war expenditures:

"THE RECONVERSION BALANCE"

		Change: (From 2nd quarter 1945 to 4th qtr. 1946)
Decline in all war expenditures of government, totalled		—$75.7 billion
Increases followed in:		
Private capital formation	+$40.9 billion	
Consumers' outlays for all non-durable goods	+ 24.6 "	
Increase in non-war outlays of government	+ 6.7 "	
Total increases:		+ 72.2 "
Final net decline in total national outlays amounted to only:		—$ 3.5 billion

Here we see how 95½% of the decline in war expenditures came to be offset by increased business expenditure for capital goods, consumers' enlarged outlays for durable goods, and small increased government outlays on current account.

It records resiliency.

Can we continue to be resilient? In these figures we see the tremendous response of business to the new, high level demand of consumers. That response by business led to an enlargement of private capital formation by an annual amount of $32 billions for producers and led consumers to enlarge their purchases of durable goods by $9 billions. In addition, consumers paid more by almost $25 billion for non-durable goods. They got some more goods. They paid much higher prices for them.

These figures are, better than any others we can produce, the basic guideposts for a program looking towards maintaining high level productive employment after the present great stimulus shall have exhausted itself.

The Danger Ahead

There seems no chance that, by and of themselves, the figures for private capital formation can automatically or without plan be held to these high levels needed for full employment after the "catching-up-period" comes to an end.

Businessmen today are attempting in the shortest possible period to lift their capacity.

But they will not continue to do this each and every year in the future. In fact, their doing it now precludes their continuing to do so later.

Once we have provided the capital facilities for this enlargement of output of goods flowing to consumers, the depreciation or replacement fund alone is adequate to maintain the capital plant of American business.

But the depreciation fund is not equal to one-fourth of the expenditure producers are now making for capital formation.

In addition, consumers may not continue their present vigorous expenditures for durable goods. Until recently almost all their automobiles were five years old or older. The time may come when a very large number of them are five years young or younger.

Thus, total capital formation, which in the fourth quarter last year was running at an annual rate of $54.6 billion, might conceivably decline by amounts that are to be measured in magnitudes of $20 to $40 billion for a year.

What action is wise, for both the short run and the long run, to forestall such a possibility?

Can We Agree to a Blueprint of Needs?

The best way to get at our needs for the future is from a consideration of our accomplishments of the past.

The immediate past accomplishment which should be our guide and objective in the future is our present high rate of capital formation.

But a collapse in capital formation is also possible. Capital does not, like Topsy, just grow and maintain itself.

Only modern industrial States have capital formation. But the most significant fact for them is that their capital formation can most abruptly decline, causing heavy unemployment. That is the nature of this animal.

Robinson Crusoe and subsistence economies cannot afford unemployment. Their people must scratch incessantly for their daily bread. We want a great deal more than just bread.

It takes a rich economy to afford unemployment. Ours is by far the richest of all.

Our capital formation, almost $30 billion in 1929 and well over $60 billion in the war years, is the source of our great national strength. But at the very same time it is equally the cause of the most serious disease of a modern capitalist economy such as ours—the disease of having a hard, persisting core of unemployment.

In 1932 our net capital formation fell from $27 billion to less than $7 billion. This decline of

(Continued on page 34)

*Statement prepared by Prof. Upgren for the Joint Congressional Committee on the Economic Report, Washington, D. C., July 14, 1947.

NSTA Notes

NSTA ADVERTISING NOTES

Many of us K. I. M. certain days of the year as outstanding in their lives, i.e., graduations from schools and colleges, marriages, birthdays, but we members of the National Advertising committee have in mind August 16th as the deadline for advertising and August 28th as the birthday of our NSTA Post Convention Pictorial issue of the Commercial & Financial Chronicle. May we earnestly request of those who have been a bit neglectful, or perhaps waiting for their position to improve an ⅛ or so, to realize fully the deadline of August 16th and send in your contract or reserve space in your local section of our convention issue. This is a national undertaking and we are anticipating complete representation.

Your chairman will be pleased to accept advertising space reservations by wire collect.

"Remember the Maine!" "Remember Boston!"

Harold B. Smith, Chairman
NSTA Advertising Committee
Collin, Norton & Co.
30 Pine Street
New York 5, New York

BALTIMORE SECURITY TRADERS ASSOCIATION

The Baltimore Security Traders Association will be hosts on Saturday, Aug. 9, to about 175 out-of-town traders who will stop over enroute from Chicago to Boston where they will attend the Annual Convention of the National Security Traders Association.

J. W. Butler, Baker, Watts & Co., President of the Baltimore Association, announced that the program will include a trip down the Chesapeake Bay on a chartered steamer and a visit to the Naval Academy at Annapolis. Arrangements are in charge of a committee headed by Edward J. Armstrong and Frank King, both of Stein Bros. & Boyce.

Analyzes Wage and Production Costs

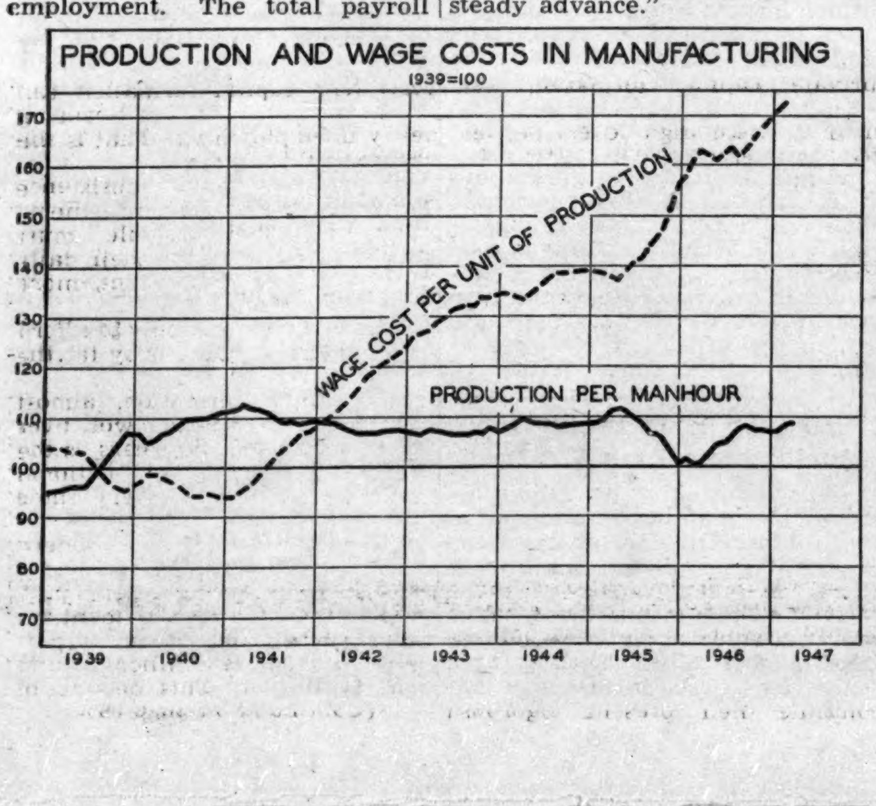
Business Bulletin of the Cleveland Trust Company reveals wage costs per unit of production have increased steadily since 1940.

In the current issue of the "Business Bulletin," published by the Cleveland Trust Company, an analysis is made of wage cost per unit of production in manufacturing as compared with the production per manhour since 1938. According to the "Bulletin":

"Wage costs per unit of production in manufacturing are about 73% above their 1939 level, while production per manhour worked is about 8% higher. Changes in wage costs since 1939 are shown in the diagram by the dashed line, and production changes by the solid line. In each case the average for 1939 is taken as equal to 100. The industries included in the computations are iron and steel, nonferrous metals, rubber, textiles, leather, manufactured food, tobacco, paper, printing and publishing, and petroleum and coal products.

"The production data used are components of the Federal Reserve index of industrial production. Manhours were computed by multiplying the average monthly employment in each of these same industries by the average number of hours worked. Then total production was divided by the manhours worked, giving the production per manhour. The wage costs were determined by multiplying for each industry the average weekly earnings by the employment. The total payroll thus obtained was divided by production, giving the wage costs per unit of production. The data were not adjusted to remove seasonal variations, but the final results were slightly smoothed to eliminate minor fluctuations.

"Production per hour worked increased until the Spring of 1941. It declined slightly for about a year and then remained almost unchanged during the remainder of the war period. Both production and employment rose during the war, but the increases did not result in any advance in productivity. This is probably partly due to the changeover to new products and the employment of new and inexperienced workers. In the Spring of 1945, production per manhour started to decline, but by April of 1946 it was once more advancing. It is still below the peak reached in 1941. Over a long span of years productivity has been increased by the use of more and better machinery, but this a slow process and is not evident in the few years covered by this diagram. Wage costs per unit of production decreased in 1939 and 1940, when productivity was rising. In 1941 they began a long steady advance."



Television—The Next Great American Industry

By E. A. NICHOLAS*

President, Farnsworth Television & Radio Corporation

Producer reviews progress made in television and forecasts rapid expansion of industry. Asserts television will pay its own way and advertisers are already showing confidence in it. Sees no need for a "pay-for-your-program" system and concludes television "is the next great American industry."

It is an obvious statement that the potential market for television receivers is huge. The sale of five million sets is likely in the next five years. The volume, of course, will depend to considerable extent on retail prices. It is only competitive horse-sense that every manufacturer will keep his television products at the lowest possible price levels. And these price levels will be well within the means of a large percentage of the American public.

E. A. Nicholas

In relation to the potential market, few sets have been built. To all practical intents, the curtain is just now being raised on the commercial debut of the industry.

Eleven television stations are on the air with regular programs in eight cities. These cities are: New York, Washington, Philadelphia, Schenectady, Chicago, Detroit, St. Louis and Los Angeles Represented here is a total population of 25 millions.

Fifty-five additional station construction permits have been granted by the FCC. Fifteen of these stations expect to be operating by the end of this year. Fifty-five permits, of course, do not mean 55 different cities. Some of the larger cities now have, and will have, more than one or two stations.

But this number does include 37 cities, in almost all parts of the country, not now enjoying television service. Chicago, for example, is destined to become a capital of television. Station WBKB has been pioneering here since before the war. The Chicago "Tribune" is now erecting a telecasting station. The National Broadcasting Company and the American Broadcasting Company have received permits to build stations in Chicago. Thus, Chicagoans will be able to select programs from at least four different, and undoubtedly good, stations.

With cities such as Chicago setting the pace, you may be sure that television will make its entry into other urban areas as rapidly as transmitting equipment can be manufactured and installed.

Stations in all the cities now pending should be operating by the end of 1948. The areas they will serve include more than 40% of the nation's population.

Television service need not be limited to the large cities. Smaller communities will have television too. Like radio, which in many ways has blazed a path for television, the new service can be made economically feasible in the smaller market areas. The networking of television programs will be helpful. That networking already is under way.

About 6,500 miles of coaxial cable are to be operating this year. Another means of linking stations has begun with the use of microwave radio relay systems.

A system of this kind is now in operation on the East Coast. It may well be the forerunner of a new kind of network facility, which will carry national programs to remote smaller stations as well as the larger ones. Very possibly, the ultimate will be a combination service by coaxial cable and radio relay.

Television arrives in the midst of great expectations. No product or service ever had such a buildup prior to its public debut. While drawing its first breath, television has been measured against radio, the stage and the motion picture.

In the face of this, television has won hearty approval. It has measured up. It has shown itself fully ready for the American home. It has proved its advertising power. It is moving forward, inspired by public confidence.

Despite this remarkable record, there are a few doubters—there always are—who persist in viewing the whole process through dark glasses. These chronic doubters have constantly sought to talk down television progress.

They have said it could not be done, and when it has been done, they have announced it has been done the wrong way.

And when the industry, the government, and the public have agreed that it has been done the right way, they have said, like the awkward soldier, "Everybody is out of step but me."

To many of you, I am sure all this sounds familiar. We went through the same experience in the early days of radio. The doubters said that good radio programs could not be supported by advertisers' dollars. They proposed, you recall, that the only way to finance broadcasting was to tax radio set owners.

They told us the networks could not operate on a sound economic basis. They told us many other things, all of which were nega-

(Continued on page 37)

*An address by Mr. Nicholas at the annual national convention of Farnsworth distributors, Chicago, Ill., July 17, 1947.

Mutual Funds

By HENRY HUNT

Bull Market Getting Under Way?

There are still many skeptics about the recent advance in the stock market, many who regard it merely as a rally in a bear market. On the other hand, barring a complete about face in the business outlook, evidence is strong that May 19 witnessed the end of the 1946-47 bear market and the beginning of the 1947-? bull market.

The early stages of a bull market are generally characterized by two frequently overlooked factors:

(1) The leadership is strong, i.e., quality common stocks give a better account of themselves than speculative low-priced stocks.

(2) Odd lot sellers outnumber odd lot buyers, i.e., the "public" or the small trader is still bearish.

In recent weeks, both of the above situations have prevailed. For example, the Dow-Jones Industrial Average in a period of less than two months recovered more than 40% of its losses from its 1946 high to its 1947 low. However, during the same period, Barron's Low Priced Common Stock Index, normally far more volatile than the Dow-Jones Industrial Average, recovered less than 20% of its losses. Not only have odd lot sales outnumbered odd lot purchases in recent weeks but odd lot short selling in April and May was unusually heavy. It begins to look as if, once again, the "public" is wrong on the market.

Reading Time: Five Seconds

In one of the briefest pieces of sales literature that has reached our desk in a long time, "National Notes" issued by **National Securities & Research Corporation** depicts a chart showing that civilian employment is now at an all time record high. The copy consists solely of seven words: "Prophets of a Business Recession, Please Note!"

Brevity is not only the soul of wit but an effective advertising medium.

Inflation Still With Us

In the July 7 issue of "Selections" published by the **Selected Investments Company of Chicago**, inflation is commented on as follows: "Many people say: 'Sure; we have inflation. But we had one in World War I also, and it collapsed in 1921.' This is true. But inflations are a matter of degree. A little inflation is not necessarily dangerous. But a lot of inflation is quite another matter.

"Whether we have had a 'lot' this time can perhaps be argued. But we definitely have had a great deal more than in World War I. Currency in circulation, for example, rose from \$3.2 billion to \$5.2 in 1914-20, a rise of 63%. But it rose from \$7.05 billion to \$28.95 in 1939-46, a rise of 311%. Five times as great a rise as on the former occasion! Moreover, in the 10 years ending 1939, currency in circulation had risen 58% compared with a mere 24% increase in the 10 years ending 1914. In 1946 currency in circulation was 17.5% of national income; in 1920, it was only 8.1% of national income.

"We have much more inflation this time than last. It is only logical to be more fearful of the effects. Complacency about inflation is foolish under the circumstances."

Outlook For Chemical Industry

In a report issued by **Chemical Fund, Inc., F. Eberstadt & Company** discusses the chemical industry as follows: "The postwar leveling-up in the chemical industry appears to be following a natural course. Some segments have already caught up to a more normal supply and demand relationship, while others are still in the process of so doing. In this readjustment to a peacetime economy, some evidence appears that chemical products have become of even greater importance to our economic existence than before the war. Especially significant are the many plant expansion programs to meet greater demand for established and newly developed products.

"The short supply existing in some of the old line chemicals seems due not only to the present high levels of general manufacturing demand but also to new products based on old line chemicals. Large new demand for chlorine, for example, has been created by the widespread use of DDT insecticide."

Notes:

The **Bond Investment Trust of America** in a new folder aptly described itself as, "A Bond Investment that cannot be called for payment by the issuer but can be cashed by the owner at its liquidating value."

Distributors Group believes that the most undervalued industries at this time are as follows: Electrical Equipment, Industrial Machinery, RR. Equipment, Steel and Automobile. Distributors Group has issued a hand-bill entitled "Ten Timely Truths." To say that it is printed in a flamboyant style would be an understatement.

Wellington Fund reports net assets of \$42,132,000 as of June 30, up \$5,597,000 since the first of the year. During the first half of 1947, the Fund **reduced** its common stock holdings in the banking, building, food, non-ferrous metals, railroad and public utility industries while its equity investments were **increased** in the chemical, electrical equipment, finance, insurance, and oil industries.

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes:

Transfer of the Exchange membership of the late Theodore J. Knapp to Walter A. Schiffer will be considered by the Exchange on July 31. Mr. Schiffer it is understood will act as an individual floor broker.

Transfer of the Exchange membership of the late George Estabrook Brown to William C. Ridgway, Jr., will be considered by the Exchange on July 31. Mr. Ridgway will act as an individual floor broker.

Helen C. Barbour, limited partner in Carrere & Co., now signs Helen C. Crocker.

Aldo R. Balsam will retire from limited partnership in Dunham & Fletcher on July 31.

Interest of the late Clarkson Runyon, in Carlisle & Jacquelin ceased on July 10.

Rollins & Hewitt will dissolve on Aug. 1.

Outlook for the Sterling Area

By PAUL BAREAU

Deputy City Editor of London "News-Chronicle," Assistant Editor of "The Economist," and Joint Editor of "The Banker."

Member of 1945-1946 UK Treasury Delegations to Washington

British Economist and Editor denies usefulness of sterling area currency arrangements is ended. Asserts self-interest has motivated Britain to restore convertibility. Predicts most countries now in sterling area, will remain there irrespective of "theoretical" basis of their currencies.

Paul Bareau

LONDON, ENGLAND.—A widespread impression seems to prevail outside Britain, and in the United States in particular, that not merely is the British Empire in process of dissolution but that the sterling area is also in the same state of disintegration. I will leave it to political commentators to deal with the first of these assertions. I would like to address myself to the second of these suggestions: that the currency arrangements operating within the sterling area have had their day and are about to be dissolved. This impression arises from the implications of the Anglo-American financial agreement. Among the so-called "strings" attached to the United States loan to Britain was one which provided that the United Kingdom would complete arrangements "as early as practicable and in any case not later than one year after the effective date of this agreement" under which the sterling receipts from current transactions of all sterling area would be made freely available for current expenditure in any part of the world "with the result that any discrimination arising from the so-called sterling area dollar pool will be entirely removed and that each member of the sterling area will have its current sterling and dollar receipts at its free disposition for current transactions anywhere."

The Convertibility Commitment

This commitment to make sterling a fully convertible currency again for current transactions emerges from several clauses of the loan agreement.

Its repeated appearances were a measure of the strong suspicion with which the American representatives in the loan negotiations had come to regard the operation of the sterling area during World War II and reflected their fear that these war-time arrangements might take permanent form in the postwar period. They saw sterling as yet another currency whose freedom to travel over the world would be restricted by controls, which in turn could and would be used in order to keep trade moving as far as possible within the sterling area and to discriminate against countries outside that area. The American Treasury and State Department experts understood and sympathized with the reasons that had led to this emergence of sterling exchange control during World War II, but they argued since dollars were now being provided in order to remedy the very weaknesses which were the cause of, and justification for, restrictions on free convertibility of sterling, those restrictions should be removed as quickly as possible.

Anniversary of Loan Agreement

This undertaking by Britain already has been put into operation with a large number of countries. There is no doubt whatsoever that the arrangements with the rest—and this means those yet to be negotiated with India, Egypt and a few other sterling area countries—will successfully operate as from July 15, the anniversary of the coming into effect of the loan agreement, and therefore the date on which current earnings of sterling became freely available to meet current expenditure in any part of the world.

It would be wrong to regard this change in the position of sterling as a painful commitment grudgingly given by Britain in exchange for the dollar loan. Sterling acquired its position as the leading international currency before World War II by virtue of being readily convertible, commanding confidence throughout the world, accepted in any country and providing the basis on which many other currencies were secured. If sterling was to regain this prestige and if London was to retain its position as an international center, it was essential that sterling should again become convertible. Moreover, there was no other way of inducing other countries to continue to trade in sterling and to sell goods to Britain against sterling credits. To induce them to accept such terms they had to be offered a currency which they could use anywhere in the world. It is, therefore, solid self-interest as well as its undertaking in the Anglo-American loan agreement, which is inducing Britain to restore the virtues of convertibility to sterling.

It is, however, quite erroneous to argue, as is so often done in these days, that people residing outside Britain will no longer be prepared to hold sterling as soon as it becomes convertible, but will choose to convert it in some other currency, and that in effect, July 15 saw the end of what is commonly known as the "sterling area." To argue thus is to show a profound ignorance of what the sterling area really is.

For more than 100 years before World War II the sterling area had been taking shape by a process of natural growth, which is a feature of so many British institutions, and by the completely free decision of overseas communities both British and non-British. Much of their trade was transacted with Britain, they raised much of their capital by the issue of sterling loans, and every practical advantage, therefore, demanded that they should keep their external working balances in sterling and their currencies stable in terms of sterling. This they did, and there followed a very natural evolution of what we know today as the sterling areas. Some of the features of the voluntary system which thus grew up was that banks in the sterling area which earned foreign exchange automatically converted this exchange into sterling and that when in turn the countries in question needed foreign exchange they acquired it by purchases in London. Until 1939 this system worked with complete freedom. Sterling was, in fact, used for payment to any country in the world and was freely convertible.

When World War II broke out the non-British countries inevitably left the sterling area, but in most other respects the sterling area arrangements continued to function very much as they had before. Contrary to prevalent illusions on the subject, it was not

(Continued on page 39)

Delay in Marshall Plan?

By PAUL EINZIG

Dr. Einzig reports decision of President Truman not to call special session of Congress to implement Marshall Plan this autumn has caused pessimism in Britain, since delay will put that country in an awkward dilemma and may bring about drastic cuts in British dollar expenditure. Sees possibility of abandonment of sterling convertibility following that of anti-discrimination.

LONDON, ENGLAND—During recent weeks, there was evidence of a growing enthusiasm about the Marshall Plan in Britain. The unqualified success of the Paris Conference of countries which agreed to collaborate in the Plan, and the unprecedented speed with which its decisions were reached, gave rise to sanguine hopes that the Plan might be adopted sometime this autumn. In the circumstances the announcement that there would be no Special Session of Congress to deal with the Plan came as a cold shower. It is now evident that the Plan cannot be adopted before next spring, and fears are entertained that its adoption in election year will be none too easy. The mere fact that the pace set by the European nations—which for once have been working on the Plan with truly American efficiency—is not intended to be maintained by the United States, gave rise to widespread pessimism about the prospects. It is considered an indication of a lack of enthusiasm on the other side of the Atlantic, and it is feared that Congress will whittle down the assistance to be granted. In any case the delay itself might have grave consequences on some of the weaker countries. "Too late and too little" is the pessimistic forecast.

Dr. Paul Einzig

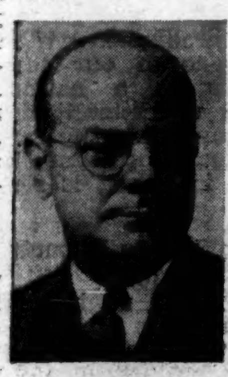
The delay in the Plan has placed Britain in an awkward dilemma. The Government decided recently to postpone really drastic cuts in dollar expenditure, in the hope that the Plan would be passed long before the proceeds of the loan are exhausted. The terms granted to Egypt in the provisional agreement on old sterling balances, and the acceptance of the American interpretation of the meaning of convertibility of sterling, were based on the hope that new assistance would be forthcoming not later than the end of this year. And now it seems practically certain that the last dollar of the loan will be spent long before the adoption of the Plan.

The question is, what is the Government to do. Should it act on the assumption that, owing to the delay and the uncertainty of new assistance, it must resort forthwith to drastic measures which would inflict additional austerity on the country and which might antagonize American opinion? Or should it risk a continued drain on the dollar resources in the hope that the loss would be compensated through the granting of additional assistance under the Marshall Plan? Each month of delay in the adoption of the measures necessary for safeguarding the dollar reserve will cost hundreds of millions of dollars. The Cabinet is divided, but it seems that the majority is inclined to release the bird in the hand in anticipation of securing two which are at present still in the bush.

The Government was pressed, however, to make some immediate cuts in dollar imports, and induced the United States Government to relent in its interpretation of the undertaking given by Britain in respect of non-discrimination and convertibility, pending the adoption of the Marshall Plan. The argument runs that, should the Marshall Plan fail to materialize, or should Britain's share in it prove grossly inadequate to meet the adverse balance of payments, convertibility and non-discrimination would have to be abandoned in any case. In that case Britain's dollar reserves would be used up while the fate of the Marshall Plan is in the balance, so that Britain will be in a very weak position to face the situation created by the refusal to grant adequate assistance. In the view of many people it would be fair to allow Britain to husband its dollar resources until we know how we stand regarding the Marshall Plan. The insistence of the United States Government on a strict interpretation of the Loan Agreement is causing much resentment on this side. It is admitted that from a legalistic point of view the Washington Administration has every right to insist on carrying out the letter of the undertakings given for the sake of obtaining the loan. But it is felt that, owing to the sharp rise in American prices, which is largely responsible for the rapid depletion of the loan proceeds, there is a strong moral claim for relaxing somewhat the terms of the Agreement.

Anglo-American Loan Pact Relaxed

It was announced in Washington on July 22 that, under a decision of Secretary of Treasury John W. Snyder and other members of the National Advisory Council, the United States would relax the "non-discrimination" clause in the Anglo American Loan Agreement so as to permit Britain to give preference in its import restrictions to such of its colonies as are in the "Sterling Bloc." This would permit Britain to bar certain imports of American commodities, while, ports of these commodities from her colonies. This colonial preference would not include Canada and other British dominions which are not members of the Sterling Bloc. The purpose of the relaxation of non-discrimination is to ease the scarcity of dollars in Britain, and thus diminish the present pressure toward the exhaustion of the unused portion of the $3,750,000,000 dollar loan.



John W. Snyder

It is reported that the decision to relax the provisions of this "non-discrimination" clause was very "gratefully received" by the British Treasury and Foreign Office, both of which have been worried because of the rapid dwindling of the dollars available to meet current commodity imports from non-sterling countries. The commodities affected by the relaxation will be largely foodstuffs and certain raw materials.

Business Perspectives

By CASIMIR A. SIENKIEWICZ*

President, Central-Penn Bank, Philadelphia
Formerly Economist, Federal Reserve Bank of Philadelphia

Banker reviews business progress since end of war and asserts reconversion has been more orderly and effective than anticipated. Sees gradual restoration of balanced peacetime economy, but cautions inventory policies must be conservative and both business and banking must follow well-considered financial and credit policies. Holds use of bank credit to provide for capital expenditures should be avoided as dangerous.

Within the limits of my time, I shall attempt to indicate some of the highlights that characterize our domestic situation and prospects. I should like:

(1) To review some of the basic factors in the economic background in order to give you the necessary perspective in our business growth and development.

C. A. Sienkiewicz

(2) To appraise the progress we have made since the end of the war and its bearing upon the future.

(3) To re-emphasize some of the fundamentals indicating assurance of a prosperous future.

Elements in Business Perspectives

The elements in the perspective before us are many and very complex, but they contain a great force of essential unity and will to recapture our standards by reconstructing our mode of thinking and action in this post-war period.

Most important of these elements is the character of the economic progress we have made over the decades. The record of our industrial achievement is known to every student of history. Our national income, which reflects human effort and ingenuity to create wealth, has increased 20 times in the past century. Net output per man-hour in the same period of quintupled, while working time of labor declined from 70 to 40 hours a week. With a population and land area of about six per cent of the world, we are normally able to produce over two-fifths of the estimated world's output. Whether in manufacturing, mining or in agriculture, our record stands out in sharp contrast to that in other parts of the world, where shortages and famines have prevailed even in peacetime, in spite of large populations and natural resources.

The key to our accomplishment lies in hard work, self-reliance and determination to get ahead. This is the secret of our economic and social progress. The early settlers worked hard because they refused to starve. The founders of these United States worked hard because they were determined to establish a free and independent nation—a society of free people "endowed by their Creator with certain unalienable rights," among which are "Life, Liberty and the pursuit of Happiness." They believed that "to secure these rights, governments are instituted among men, deriving their just powers from the consent of the governed." They worked hard, when they fought to preserve this society of free men during the Civil War, and worked even harder during the trying period of reconstruction. Honor went not to the aristocrats of leisure and dominance, but to those who achieved success in any field by hard work.

Out of this great continuous effort the free people of this country have accumulated great wealth. They have created an incomparable industrial structure. They have developed great means of communication — railroads, highways, telegraph, telephone, radio and the airplane. Newspaper and other vehicles provided extensive media of information and free expression of opinion. This achievement is the result of hard work in a free society where each man has followed his judgment and given a maximum of effort.

Our technological progress has been truly spectacular, and back of it lie great human efforts and imagination. We have been able to produce more than those in other parts of the world because our efficiency has been greater. Business here has been organized and managed in accordance with scientific principles. We have learned to build better machines and to achieve a more coopera-

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*An address by Mr. Sienkiewicz before Rotary Club of Philadelphia, Pa., July 9, 1947.

Canadian Securities

By WILLIAM J. McKAY

The proponents of currency devaluation and the institution of a free gold market received a sharp rebuff from Finance Minister Abbott in his recent statement before the Canadian House of Commons. As a result of this categorical denial of any intention to devalue the Canadian dollar or to permit the export of gold for sale in the free gold markets of the world it is clear that Canada will resort if necessary to other methods in the effort to solve its U. S. dollar imbalance.

It was also pointed out that devaluation would not remedy the basic cause of the U. S. dollar deficiency and that repeated manipulation of Canada's exchange parity would affect the long-term attractiveness of Canada for the investment of capital. The Finance Minister further stated that the published figures of Canada's adverse balance of payments with the United States related solely to the trading balance, and they did not take into account invisible items such as convertible exchange and gold received from other countries.

The Finance Minister could have added that the step taken by his predecessor in restoring the dollar to its original parity is still justified on the basis of the current price levels in the two countries. The pressure of inflation in this country, which following the removal of the OPA price ceilings led to the raising of the Canadian exchange parity, is still a more potent influence here than north of the border. Moreover, the recent tendency towards a narrowing of the differential between the two price levels is likely to be arrested as a result of the following new inflationary factors which will tend to exert their influence on the U. S. price level:

(1) The recent sharp wage increase granted to the soft-coal miners.

(2) The $2 billions Veterans' grants which will be encashable after Sept. 1.

(3) The apparent government policy of maintaining farm prices near the current levels.

(4) Possible implementation to some degree of the Marshall Plan of aid to Europe.

Even in the absence of such justification for the maintenance of the existing parity, the determination of the Canadian authorities to eschew facile expedients is indicative of their confidence in their ability to solve the current exchange problem by orthodox methods. Moreover, it would appear that undue emphasis has been placed on the alarming features of the Canadian situation Insufficient attention has been paid to the fact that Canada still has a gratifyingly large favorable balance of trade with all countries that should become increasingly convertible into U. S. dollars following World Bank activity on a larger scale and possibly as a result of aid to Europe under the Marshall Plan. In addition as pointed out by Finance Minister Abbott the invisible items of the international balance sheet are often overlooked and the figures this year relating to the Canadian gold production and the tourist traffic are likely to surpass all previous estimates.

During the week the bond market remained dull and inactive with a negligible turnover. There was also less activity in stocks which failed to reflect the U. S. market trend. Papers and liquors made some headway but the golds were reactionary in face of the strong official denials of any intention to permit sales abroad at premium prices. The disinclination of Canadian investors to follow the bullish lead south of the border is likely eventually to lead to U. S. buying of the comparatively cheaper Canadian stocks especially in view of the current inflationary psychology.

Business Man's Bookshelf

Review of Railway Operations in 1946, A—Julius H. Parmelee—Association of American Railroads, Bureau of Railway Economics, Washington, D. C.—paper.

Service Charges: A Challenge to Bank Management—New York State Bankers Association, 33 Liberty Street, New York 5, N. Y.—Paper—50c.

Now With W. Walters Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF. — Edwin H. May has become affiliated with William Walters Securities Co., 3923 West Sixth Street. He was formerly with R. F. Ruth & Co. and Hope & Co.

With Waldron & Co.

Special to THE FINANCIAL CHRONICLE

SAN FRANCISCO, CALIF. — Frederick H. Muenz is now with Waldron & Co., De Young Building.

Understanding Business and Economics

By WILLARD CHEVALIER*

Vice-President, McGraw-Hill Publishing Co.

Col. Chevalier lays economic troubles since V-J Day to failure to recognize basic economic principles. Scores restriction of production by groups as harmful to general economy and points out affording security for all would mean stabilized poverty. Advocates planning of new capital outlay as means of reducing cyclical unemployment, and an increase in imports to offset exports. Urges more skill and efficiency by office and store workers.

My role here affords me the opportunity to tell you what, from my particular personal point of view, are some great economic truths. That is almost always an appealing opportunity. But I do not propose to avail myself of it here to indulge in personal economic preachment. Rather I propose to open this discussion by indicating a few, only a few elements of basic understanding which it would be almost universally agreed beginning store and office workers should have, and which, I ruefully add, they quite often do not have.

Col. W. Chevalier

Of these elements of basic economic understanding I can think of none which is more important than the understanding that how well off we are as a nation depends directly upon how much we produce as a nation. In a country which prides itself on a considerable degree of compulsory school attendance for everyone, the proposition that the nation cannot consume, except very temporarily, more than it produces should be perfectly axiomatic.

However, the sad fact remains that this not the case, and that some millions of our compatriots tend toward the view that restriction of labor and output is the true road toward prosperity.

How they get this way is not hard to see. They are continuously confronted by cases where individuals and groups have gained, at the expense of their fellows, by restricting their output and thus making their products scarce and expensive. Consequently they take the simpleminded view that what obviously helps some individuals and groups to increase their incomes should help others. What they do not see is that this racket will work only when it is practiced on a limited scale. If everyone tried to get rich by producing less, the result would be general poverty rather than general prosperity.

If there were universal understanding of this proposition I am sure that there would be far less suffrance of slick schemes to prevent work and production, and far more emphasis on full exploitation of our production potential, with a resulting increase in general prosperity. It occurs to me that there may be some special problems in creating this understanding among store and office workers since their work frequently does not eventuate in a clearly visible physical product. When a production machine in a factory stops running, even the dimmest witted can see that production stops, too. It is not quite so easy to see that when an office worker decides to coast for a time, production, and hence the wherewithall of prosperity, is cut down. Hence, there is probably special occasion to press home to office and store workers the indisputable truth that what we produce is the controlling measure of our prosperity.

Failure to recognize this truth, or at any rate to act upon it intelligently, has been a major source of most our domestic economic troubles since V-J Day. For example, many organized workers have successfully insisted that their pay envelopes be increased at a rate far faster than their output per man hour, or productivity as it is commonly called. The result has been rising prices which have done the workers themselves relatively little good because the higher prices washed away the value of their pay envelopes while they inflicted all of the curses of price inflation on the country at large. If a wage increase is to be beneficial to both its recipients and the community at large, it must be accompanied by an increase in the productivity of labor. To have it otherwise, as we have consistently since V-J Day, is to get the horse, and a very ornery horse, too, before the cart.

In this connection, it should be pointed out that office and store workers need to realize that they are productive in an economic sense just as much as the factory worker is. Too often workers think that production refers only to industrial production. Indeed, the productivity of the factory worker frequently depends on the productivity of the office and store worker. Unless our system of distribution functions at a high degree of efficiency and moves the goods which are produced in the factory, undistributed backlogs of goods will clog the industrial production.

Sharing the National Product

There are some leaders of labor who are always ready to argue that workers are really suckers to increase their productivity because, if they do, their "bosses" will grab all the resulting gain in the form of higher profits. And there are always those in the ranks of labor who are quite ready to believe them. This readiness grows out of a widespread misunderstanding of the share of our national product which goes to profits — a misunderstanding which store and office workers would not share if they were well educated, as you and I want them to be. How badly misguided workers are about the share of production which goes to profits is driven home with what I find extraordinary effectiveness in a paper on "Penalties of Economic Ignorance" by Frank M. Surface, Executive Assistant to the President of the Standard Oil Company of New Jersey. [See "The Chronicle," July 17, p. 23—Editor.] In this paper he reports the results of a nationwide survey of the opinions of a national cross-section of white collar and production workers below the level of supervisor. One question asked was, "Just as a rough guess, what percentage profit would you say the average manufacturer makes in peacetime?" Two-thirds of those interviewed had an opinion. Of these, 11% thought profits exceeded 50%; another 14% of those interviewed thought they were between 34% and 50%. And a total of 40% of those interviewed thought profits were more than 25%.

It developed that about half of those who expressed an opinion were thinking about profits as a percentage of sales and half as a percentage of investment or net worth. The fact is that as a percentage of sales, profit (for a representative group of manufacturing and mercantile concerns) was less than 4% in both 1944 and 1945. As a percentage of net worth it has varied markedly from year to year, but over a decade explored by Mr. Surface never got above 10%. In 1945, an extraordinarily profitable year, the figure for a representative group of corporations was 7.6%.

From such misconceptions about profits as those cited, it follows quite logically that there should be equally important misconceptions about the possibilities of increasing wages without increasing prices. In the statement by Mr. Surface to which I have referred, he cites another poll of worker opinion on the question of whether most companies could afford a 15% wage increase without increasing prices. Sixty percent of the workers queried (by Opinion Research) said Yes while only 23% said No. That's just about what you would expect so long as nearly half of a broad sample of clerical and manual workers think profits take more than a quarter of what is produced.

Gaining Economic Security

In recent years a dominant, if not the dominant, interest of most Americans has been the gaining of economic security. In the light of the terrible depression of the 30s, this is understandable enough. However, it should be part of our basic economic understanding that security for all is not compatible with the dynamic production performance which has made the American standard of living by far the highest in the world. A major element of this performance has consisted of driving ahead with new developments, some of which have inevitably knocked existing enterprises and those engaged in them off their bases. For the enterprises so disturbed, the result has been loss of capital and some unemployment. We can, I am sure, do a better job both in reducing and in mitigating unemployment than we have at times in the past. One of the most important ways is to plan new capital outlays so that they will iron out ups and downs in business activity rather than accentuate them as they commonly do at present. However, if we do our very best we won't be able to eliminate temporary unemployment completely without eliminating at the same time the drive and daring in the field of production which is the cornerstone of our economic greatness as a nation. Workers should understand that and thus be immunized against demanding a degree of economic security which, in effect, is stabilized poverty.

Must Import to Sustain Exports

Another understanding which our workers — and I might add more of our business leaders — should have is that the only way a large export business can be successfully sustained over any length of time is by the import of goods and services to pay for the exports. Failure to understand that proposition, or at any rate to act as though we understood it, has been the cause of much economic trouble in the

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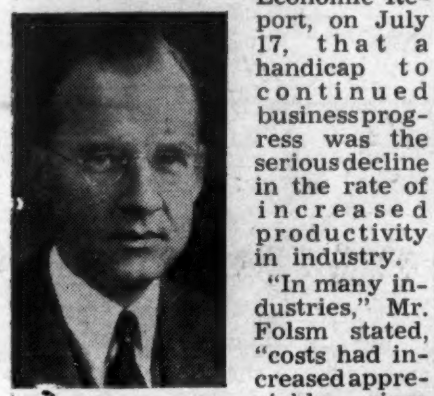
*An address by Col. Chevalier at the Business Education Conference, sponsored by New York University, School of Education, New York City, July 23, 1947.

Folsom Stresses More Productivity

Eastman Kodak official and former Staff Director of House Postwar Economic Committee says increase in industrial productivity is less than prewar and without any appreciable improvement in man-hour output costs and prices are rising. Sees incentives lacking.

Marion B. Folsom, Treasurer of the Eastman Kodak Company, and formerly Staff Director of the House of Representatives Special Committee on Postwar Economic Policy and Planning, (the "Colmar Committee") told the Joint Congressional Committee on the Economic Report, on July 17, that a handicap to continued business progress was the serious decline in the rate of increased productivity in industry.



M. B. Folsom

"In many industries," Mr. Folsm stated, "costs had increased appreciably since the end of the war because production per man-hour had not increased sufficiently to offset the increase in wage rates and material costs. The low productivity was due to a number of reasons, such as, the high rate of labor turnover, the large proportion of workers without adequate skill and training, the delays in the flow of material—partly caused by strikes."

Continuing his testimony, Mr. Folsom stated:

"Since the first of the year employment has increased still further and there has been an improvement in productivity in many industries. Labor turnover has declined appreciably; the workers are becoming better trained, and there is a better flow of materials. Also the installation of new machinery and the improvement of methods are beginning to show results. These factors should continue to operate, and we may expect a further improvement in productivity. This, of course, is the most important factor in increasing the supply of goods and thus preventing further inflation.

"It is probable, however, that the increase in productivity will not be as great as it was during the first few years after the First World War. For a period in the early twenties, output per man-hour increased almost three times the normal rate of about 3% per year. Figures are not available as to the increase in productivity we are now obtaining, but it is probably not in excess of the normal prewar rate. One factor which will probably prevent a marked increase in productivity, particularly over the long run, is the lack of incentives compared with the period after the last war. With the extremely high level of personal income taxes and the corporate income taxes being more than three times their level after the last war, the incentive to invest new capital in machinery and equipment is much less than it was. This is one important reason why great effort should be made to reduce government expenditures and taxes. As the Colmer Committee stated, the only way we can expect to continue to improve the standard of living of the people is through increase in productivity.

"In the important construction industry, where there is the greatest need and also the greatest possibility of increase in productivity, only slight progress has been made.

"The critical period for unemployment will probably be reached when deferred demands for many products have been met and exports decline. If before that time productivity has increased and costs and prices have been reduced, we may be able to avoid any serious unemployment. The Colmer Committee pointed out that with the proper foresight and action by the Government, industry and labor, the danger of a serious decline in business and farming should be minimized but that we should be prepared to take care of any unemployment that will develop. They considered that the present unemployment compensation system is a sound and practical means of providing for the unemployed."

Sees No Depression With Full Production Ahead

July issue of "New York Letter," published by Hugh W. Long & Co. Inc., cites facts and conditions showing no recession in sight.

Hugh W. Long & Co., Inc., National distributors of New York Stocks, Inc., in the July number of "The New York Letter," counters the fear of a serious recession in business by citing conditions indicating full production by major industries.

"We suggest," states the "Letter," "that those who have been predicting or fearing a serious recession in business ask themselves this question. Which of the *major* industries are faced with the necessity of reducing production or could benefit their positions by voluntarily reducing production? A business recession means lower production. Usually it occurs when there are surpluses, especially of so-called capital and consumer durable goods.

"The steel industry has been operating at approximate capacity and yet there are serious shortages. The automobile industry is producing all the cars possible with available materials but is operating at only 60% of capacity and is unable to satisfy even the most urgent demands. Would a curtailment in output of building supplies help? Of course not. We need to outproduce inflated building costs and then move on to a more active level of construction.

"Many public utility companies need to expand their generating capacity but some equipment may not be available for two or three years because the suppliers are booked to capacity. The nation is up against a serious shortage of freight cars. Large orders are on hand, but production has lagged because of inadequate materials. Every thoughtful reader, from his own experience, can probably expand this list. And remember that these shortages are world-wide, as evidenced by the high level of exports.

Isn't it clear that what we need in these and many other industries is increased production rather than lower production? This is in contrast to conditions that led into the depressions of 1920-1921, 1929-1932 and 1937-1938. It explains why the economy has remained at high level despite repeated predictions of a serious recession.

"Almost a year has elapsed since we were 'told' a recession was at hand and this is what we find:

"(1) Employment surged ahead during May to an all-time high. This was the opposite of what was expected; it forced a sharp about-face on the part of many who had feared that the slight seasonal decline in April was the beginning of a serious downward swing.

"(2) Retail sales for April were disappointing. This encouraged many to fear that sales would decline substantially after the stimulus of Easter shopping was spent; there was talk of a buyers' strike. But the decline has not occurred. Total retail sales remain above a year ago and near their peak level. Consumers are price- and quality-conscious but there is no buyers' strike.

"(3) Total production was in an upward trend from the spring of last year through March, 1947. Many companies and a few industries went through readjustments but their influence on the whole business picture was more than offset by the advances in others. Curtailed production by some industries made available more scarce materials for others to use. In the textile industry, as another example, we find that when one material became in oversupply, looms were often converted to weave a different fabric for which there was an unsatisfied demand. The moderate decline in over-all production during April was followed in May and June by relative stability. Again, the serious decline that had been expected by many has not set in. The individual weak spots have not been like leaks in a dam that was soon to be washed away by an economic flood of liquidation. The base of unsatisfied demands for goods and services, and the opportunity for profit in meeting these demands is too strong!

"The prospect for business and profits appears to be much better than has been generally assumed since last fall. Many of the individual maladjustments are being corrected and during recent weeks there has been a noticeable improvement in sentiment among businessmen. This is showing up in greater willingness to plan ahead. Retail concerns are commencing to reorder merchandise. In the textile industry, generally regarded as one of the weaker spots, there is a tone of renewed optimism. There is growing assurance of a record volume of new construction for the second half of the year now that rental curbs have been eased and building restrictions lifted. All this is creating a background that could lead to what we regard as a more realistic appraisal of the business situation, and could revive confidence in the investment outlook."

Reports on World Economic Survey

Bank for International Settlements holds some notable results have been achieved in reconstruction, but much remains to be done. Places monetary stability, upheld by solid budgets must come first, if basis for industrial and other investments is to be attained.

The concluding section of the 17th Annual Report of the Bank for International Settlements, at Basle, Switzerland, reviews the progress of postwar reconstruction throughout the world and points out weaknesses in the general situation arising from a lack of economic balance and widespread instability of national currencies in addition to the dominant political difficulties. Regarding the present situation and future outlook, the report states:

There is truth in the statement that the second world war began before the world had had time to right itself after the distortions and maladjustments resulting from the first world war. Fortunately, people today are more aware of the problems connected with the fundamental changes in the economic and financial structure and they are keenly anxious to avoid a repetition of the mistakes which interrupted the period of prosperity in the inter-war years.

An outstanding illustration of the present more realistic and reasonable attitude, and one which obviously suggests itself, is the writing-off of wartime mutual aid and of straight lend-lease commitments not covered by reverse lend-lease. This action has coincided with deliveries of essential goods and services through UNRRA and other relief organizations on a scale which may not have satisfied all requirements of the many war-stricken countries, but which, in the aggregate, involved very large sums, probably the equivalent of over $5 billion. Further, more attention than after the last war is being paid to commercial problems, dealt with primarily through the different conferences of the International Trade Organization, while in the financial sphere two new institutions, the International Monetary Fund and the International Bank for Reconstruction and Development, have got into working order under conditions which have placed considerable funds at their disposal. And, in addition to international cooperation, great efforts are being made in individual countries to overcome postwar difficulties, to reconstruct peacetime economies and to influence the business trend. For a number of countries carefully worked-out plans have been drawn up and formally accepted, the purpose being to concentrate available resources on the carrying-out of certain essential tasks, generally involving a speeding-up of the process of industrialization.

With the exception of a few countries, including Germany and Austria, in which conditions have been abnormal, full employment has been the rule everywhere and, although not always the best instruments of modern technique have been available, some notable results have been achieved in the field of reconstruction, especially as regards the restoration of the transport system and the expansion of industrial production, notwithstanding the many difficulties caused by continued deficiencies in the output of coal.

Certain Weaknesses

But, even if there has been some appreciable economic progress, much remains to be done, certain weaknesses being only too evident in the state of the world today. Apart from the political difficulties, there is still in many sectors a lack of balance, made more acute by the great fatigue left by the war. The increased strain in the winter of 1946-47 led to the reintroduction of monetary and commercial restrictions in countries where they had been abolished and to a stricter application where they were still in force. And (to turn to another sphere) the commitments represented by accumulated sterling balances, taken together with other outstanding liabilities of an official character resulting from the war and its immediate aftermath, attain a total as high as that which proved so intractable after the first world war.

That there is no unwillingness to maintain the struggle for improved conditions is well demonstrated by the assiduous and painstaking manner in which the problems of the day are dealt with at international meetings and in the individual countries. It must be admitted that the diversity of the economic systems applied in the different parts of the world adds to the difficulties of finding uniform solutions; but the aim must be to establish points of contact and to find practical com-

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Securities Salesman's Corner

By JOHN DUTTON

Keep That High Pressure Gleam Out of Your Eye

Away back yonder in the early twenties, when this writer began his checkered career as a bond salesman, he had associated with him as a fellow salesman, one of the "easiest going" Southerners you ever met in your life. You know the type—the sort of fellow who was always soft spoken, who just seemed to shuffle along, who never appeared ruffled or perturbed, and who acted as if he didn't give a hoot if anyone ever bought a bond from him or not. But what a volume of business he turned in! He was one of the greatest exponents of indirect selling it has ever been our good fortune to know.

In those days, we were reading all the literature on salesmanship we could lay our hands on. Mr. Townsend's famous book on bond salesmanship was almost a nightly ritual that we patiently digested in the hope that some day, we too, could go to the head of the sales force. We studied different arguments for the purchase of this and that security. We tried to learn rebuttals for objections. We worked like blue blazes (some times on looking back we wish we could do the same today, for then the enthusiasm was high and the hot rush of youth was in our blood) but still the sales came hard and they were at best all too infrequent.

Day after day, our slow moving, slow talking, easy going Southern friend would come in with order after order, and we wondered how he did it. After all, he seemed to belie in every action and in every deed what the successful salesman should say and do.

One day, as he was sitting at his desk, apparently thinking about nothing at all, we looked over at his easy repose and decided to ask him just why it was that he could do so much business with so little apparent effort, while we had such a difficult time. This writer will never forget the tact and the helpfulness with which he listened and offered his aid. Here in itself was the basic reason for his success; he didn't have to sell others, they bought from him. His very attitude showed them that they could confide and trust in him.

After he listened to our problem, he smiled a slow sort of smile and said he thought it would be a good idea if we took a little walk out of the office. We found a coffee shop down the street and when we were removed from anyone in the organization that could overhear his remarks he proceeded to answer our question. "You know," said he, "I've been watching you ever since you came here and started on this job. You're a nice young fellow but no one would ever know it. You're all salesman. Anybody can see as soon as you start to talk that you want to convince them of something. You put them on the defensive right away. That makes them all resist you. It's just human nature. You've got that high pressure gleam in your eye. Now, I sell too, but I don't want anyone to know it. I try to make them think they are buying and that is just the opposite of what you are doing. People like to be sold but they don't want anyone to sell them. When you learn this one little trick of human nature, you'll do more business than I will. The books you've read and the figures you know comprise ten times more than I know about this business. Just keep that high pressure gleam out of your eye and watch the difference it will make in the business you'll do."

Here was one of the best tips on salesmanship that this writer has ever had in all of his life. After all, there is no salesman, who at times, has not been guilty of putting on too much pressure. This is especially true in the securities business. After all, we are selling information which is primarily based upon the confidence of our client in the recommendations we make. We are not making a one-call sale where we will never see the buyer again. Ours is a repeat business and if we can't establish our clientele upon such a basis we had better not waste the time and effort it takes to build a business.

By this, we don't mean to say that a salesman should not forcibly bring a buying opportunity before his clients and prospects. But like all good things there is a time, a place and a correct way to bring pressure to bear in order to bring forth a decision. Here is a good rule to remember. The first step is **point** of contact —we get the attention of our prospect. The second step is like a **square**—we build confidence. In new contacts they may take one or several interviews. The third step is like an **arrow**—we deliver an idea, we present a security—in other words here is where we make our sales talk. Fourth, **our arrow wavers**—our prospect gives us his objections, and we meet them. Fifth, is the **hook**, this is the close. Here is the only time any salesman should ever use pressure. The big moral of this little story is that there are many ways of helping an undecided prospect make up his mind without **getting that high pressure gleam in your eye.**

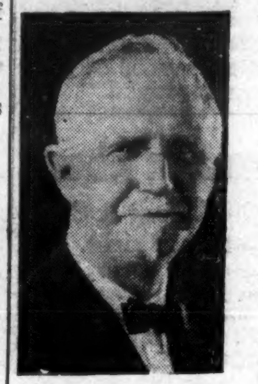
There is only one time when you can safely use pressure, that is when you desire to create action and get the order. Then it is least offensive—then it is even welcomed by certain types of people who need others to help them come to a decision. But don't use it when you should be getting attention, or when you should be creating interest in a specific security.

Higher Wages, Reduced Consumption!

By ROGER W. BABSON

Mr. Babson discusses effects of higher wages on prices and consumption. Says increased wages that lead to higher prices may cut down consumption and lead to unemployment. Cites example of fish industry.

I am down here to my old home town which has been tied up by strikes of the Fish Handlers. Everyone has been arguing about the rights and responsibilities of the other fellow. Discussion usually leads to a fair conclusion; but I hate to see people get mad, especially while engaged in a great celebration of St. Peter and Christ's teachings that "love for one another" is the only answer.


Roger W. Babson

This strike, like others, has included a demand for more money. There are various ways to get more money, namely through hourly pay increases, paid vacations, paid holidays, more overtime pay, etc. In my talks with strikers everywhere, however, I find that the basic struggle now is over the question whether the union or the owners are to run the business. The strikers take me around to the stores, and show me the increased retail prices and I cannot help being sympathetic with them for wanting more money. Besides, these people, as a rule, have several to feed and clothe; while we and other stockholders usually have only small families. But when it comes to letting them dictate the business policies, I am for the owners.

The employers, ten years ago, paid these fish handlers 60 cents per hour. Now they are perfectly willing to pay practically double this or \$1.15 per hour; but they cannot afford to pay \$1.30 per hour. In many instances, two or three members of the family are working which gives an excellent family income to the fish handlers. The employers insist, and I am sure they are right, that if further pay raises are granted, the retail price of fish must be increased. As the retail price of fish since 1940 has already doubled in most stores, they question whether people will eat so much fish if prices are further increased. We all know that when the barbers raise the price of haircuts, their customers go a few days longer between haircuts and the barbers are no better off in the end.

Something About Fish

There are two large fish unions here. One is made up of the fishermen who go on the high seas and catch the fish. They do not receive ordinary wages, but rather a share of the catch. Conditions vary with different ports, but usually about 40% of the catch goes to the vessel owners, and about 60% is divided amongst the crew and skipper, with a special extra bonus to the skipper which bonus comes out of the owners. Some expenses are paid by the crew and other expenses by the owners. Thus, the fishermen are really on a "piecework" basis. Moreover, it is hard work and they are subject to 24-hour call.

When fish comes to the wharf, it is sold through public auction so as to be fair to both the fishermen and the boat owners. After it has been purchased, the vessel delivers it to the firm which is to cut off the heads, skin it and fillet it. This work is done by the fish handlers, the ones who have been on a strike. They stand in long rows by benches and the fish come to them on belts. They work very quickly and with much care so as to get out all the bones. They prepare it for market.

From letters coming to me from all parts of the country, it is evident that consumers want fish; also that if the price should be reduced, they would buy much more fish. Hence, they wish the fish handlers would agree to piecework and be willing to be paid according to what they produce as are the fishermen who catch the fish. The slow workers might then get only 85 cents per hour; while the fast workers might get \$1.50 an hour. This would be fair to all people and especially to the consumers, who read this column.

Every wage worker should remember that if his group alone could raise wages with only the price of his product going up, this would be fine. But the workers in all other groups are sure to follow causing the prices of everything to go up more and none would be better off in the end. Hence, we must finally choose between piecework on a fair basis, or else wait for depression and unemployment to bring us to our senses. I see no halfway answer. Only as we all unite to increase production and lower prices will we have more in food, clothing and shelter. This applies to every industry and every city.

Supports Regulation of Bank Holding Companies

Forty-one members of Economists' National Committee on Monetary Policy sign statement urging passage of pending Bill in Congress.

The Economists' National Committee on Monetary Policy, of which Prof. Walter E. Spahr of New York University, is Executive Vice-President, has released the following statement signed by 41 members, urging Congress to enact the Federal Reserve Board's proposals, embodied in pending bills in Congress, to control and regulate bank holding companies:


Walter E. Spahr

We, the undersigned, members of the Economists' National Committee on Monetary Policy, urge Congress to support S. 829, introduced in the Senate of the United States on March 10, 1947, and H. R. 3351, identical in contents with S. 829, introduced in the House of Representatives on May 6, 1947, which are designed to provide for better regulation of the creation, operation, and expansion of bank holding companies.

We regard as desirable the purposes of the proposed legislation as set forth in Section 2 which, in part, reads as follows:

"It is hereby declared to be the policy of Congress, in accordance with which policy all of the provisions of this Act shall be interpreted, to control the creation and expansion of bank holding companies; to separate their business of managing and controlling banks from unrelated businesses; and generally to maintain competition among banks and to minimize the danger inherent in concentration of economic power through centralized control of banks; to subject the business and affairs of bank holding companies to the same type of examination and regulation as the banks which they control; and otherwise to provide for more effective regulation and supervision of bank holding companies to the end that their influence and control shall be directed toward the continued pursuit of sound policies and the continued maintenance of sound financial conditions by their subsidiary banks."

We believe that the fundamental provisions of these bills point in the proper direction and therefore endorse them for the following reasons:

(1) The uncontrolled expansion of bank holding companies and the inadequate regulation of them by central banking authorities jeopardize desirable competition in the field of banking.

(2) The restriction and ultimate prohibition of control by bank holding companies of industrial business are advisable since banking institutions, including bank holding companies, should not engage in non-banking activities.

(3) It seems wise and reasonable to subject bank holding companies to examinations and supervision similar to those applicable to the subsidiary banks.

Those signing the statement were: Eugene E. Agger (Rutgers University); Benjamin M. Anderson (University of California at Los Angeles); Charles C. Arbuthnot (Western Reserve University); James Washington Bell (Northwestern University); Ernest L. Bogart (New York City); Frederick A. Bradford (Lehigh University); J. Ray Cable (Missouri Valley College); Wilbur P. Calhoun (University of Cincinnati); Rev. Bernard W. Dempsey, S.J. (St. Louis University); Charles A. Dice (The Ohio State University); William E. Dunkman (The University of Rochester);

Fred R. Fairchild (Yale University); Clyde Olin Fisher (Wesleyan University); Major B. Foster (Alexander Hamilton Instiute and New York University); Roy L. Garis (University of Southern California); Lewis H. Haney (New York University); E. C. Harwood (American Institute for Economic Research); Hudson B. Hastings (Yale University); John Thom Holdsworth (The University of Miami); Montfort Jones (The University of Pittsburgh); Donald L. Kemmerer (University of Illinois); William H. Kiekhofer (The University of Wisconsin);

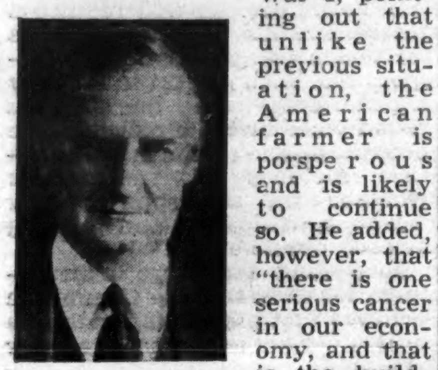
William H. Kniffin (Bank of Rockville Centre Trust Company, Long Island); Philipp H. Lohman (University of Vermont); A. Wilfred May (The Commercial and Financial Chronicle, New York City); Roy W. McDonald (Donovan, Leisure, Newton, Lumbard and Irvine, New York City); Mark C. Mills (Indiana University); Margaret G. Myers (Vassar College); Melchior Palyi (Chicago, Illinois); Clyde William Phelps (University of Southern California); Charles L. Prather (University of Texas);

Leland Rex Robinson (2 West 45th St., N. Y. C.); Olin Glenn Saxon (Yale University); Walter E. Spahr (New York University); William H. Steiner (Brooklyn College); James B. Trant (Louisiana State University); Russell Weisman (Western Reserve University); William O. Weyforth (The Johns Hopkins University); Nathaniel R. Whitney (The Procter and Gamble Company, Cincinnati); Edward Wiest (University of Kentucky); Max Winkler (College of the City of New York).

Holds High Building Costs Cancer in the Economy

Gen. Robert E. Wood, Chairman of the Board of Sears, Roebuck & Co., contends agricultural, industrial and price-wage situation are generally favorable, but danger lies in excessive building costs, due to practices of trade unions. Asks for congressional investigation.

In a statement made to the Joint Congressional Committee on the Economic Report on July 15, Gen. Robert E. Wood, Chairman of the Board of Sears, Roebuck & Co., Chicago, deprecated fears of business recession or economic collapse, as occurred after World War I, pointing out that unlike the previous situation, the American farmer is porsperous and is likely to continue so. He added, however, that "there is one serious cancer in our economy, and that is the building industry."



Gen. R. E. Wood

"I have never believed," General Wood told the Committee, "that any depression was in store for us in 1947 and I doubt whether it will come in 1948. Apparently, the majority of our economic prophets had overlooked one vital fact—the position of agriculture—our basic industry. In World War I, the farmers of the country put their profits in high-priced land, found themselves at the close of that war loaded with debt, with falling prices and a lack of markets. At the close of World War II, the farmers of the country have the highest income in their history, have reserves in cash and government bonds of over $22 billions, have vastly superior tools and equipment and have a mortgage debt of approximately half of what it was 15 years ago. Their present purchasing power is very high and there are no signs of reduction this year. The initial purchasing power comes from the products of the soil." Continuing, General Wood stated:

There has been a great deal written about the decline of productivity in industry in the past two years. This is certainly not true of agriculture, where with greatly improved tools and machinery plus hard work productivity has greatly increased.

When and if we cease to feed Europe, farm prices will decline, but they should not decline to anything like the extent they did in 1920. Our population in that year was 106,000,000; with the present rate of growth, our population in 1950 should be 147,000,000. Our land area is the same as in 1920. There has not been any great increase in cultivated acreage and there are approximately 40,000,000 more people in this country to feed. All of our population is consuming more food per capita than it did 25 years ago. Within five years, it is doubtful whether there will be any farm problem in the sense of large crop surpluses. While farm prices may decline with a large drop in exportations of food, there should still be a comfortable income for the farmers of the country.

World War II showed the immense superiority of our tools, machines and equipment over the rest of the world. It is these tools and machines that enable us to out-produce every other country in the world, to pay high wages and to maintain our people on a high standard of living. If our system of taxation permits sufficient savings by individuals and corporations to continue the acquisition of more and better tools and equipment, there is no reason why our standard of living should not continue to rise. It should be added that American ownership and management should adhere to present American practice and should continue to plow back a substantial portion of their earnings into improved tools and equipment. English capital made the mistake of paying out an excessive amount of earnings in dividends, resulting in general obsolescence of English industry.

The greatest fallacy enunciated during the New Deal was that there were no more opportunities in the United States, that this was a finished country, that it was static. Our country is still a young country; it will require all the capital we can save in the next 10 years to provide the facilities for our growing population and the needs of the vast undeveloped portions of our country.

No Reason Against Continued Progress

With ample capital, with the ablest industrial management in the world, with the best plants in the world, tools, machines and equipment, and with the smartest and most intelligent labor force in the world, there is no reason why we cannot progress for the next few years if our government and our system of taxation is intelligent and if there is a reasonable degree of cooperation between capital and labor.

Too much has been made out of price maladjustments. There are price maladjustments but most of them will be readjusted within the next two years—line by line. These adjustments may cause temporary loss of profits to the owner, temporary unemployment to the worker, but they will not come altogether; so their effect will not be great on the general economy. Their long-term effects should be beneficial and tend to postpone a depression rather than cause one.

The Serious Cancer

There is one serious cancer in our economy and that is the building construction industry. Building costs have risen all out of proportion to other costs. High wages can be paid when improved tools and machines enable the worker to produce more. In this particular industry, there has been little improvement in tools, there has been a very great advance in wages, an actual decline in production, with a resulting great increase in costs. The greater part of the increase is in labor costs and in the practices of the building trades unions. I should add, that this is not true of the majority of other unions. In any case, the chief sufferer is the worker himself and his family. I believe a Congressional investigation of this industry, to get at the true facts, would serve a useful purpose. If we can get the costs of building construction down, we have billions of dollars of work assured for the next five years and the problem of housing for our people can be solved.

I do not touch on the foreign situation except to say that I believe the importance of the effects of our foreign trade on our domestic economy are very much exaggerated. At the present rate, our excess of exports over imports is around $8 billions. If those exports were cut materially, our economy should not crumble. A distinction should be made between the loans to the young, growing countries of South and Central America and Canada, which loans if properly applied, will result in material benefit to those countries and to the United States, and loans to the countries of Western Europe, where no amount of money can restore the economic conditions that formerly prevailed and where the loans cannot be repaid.

I am aware of the uncertainties of the foreign situation, but I believe that nothing can stop the progress of this nation.

Dreyfus to Admit Cranley

John J. Cranley will acquire the New York Stock Exchange membership of the late Clark Williams on July 31 and will become a partner in the Exchange firm of Dreyfus & Co., 61 Broadway, New York City.

To Form Hecht & Co., New Exchange Firm

Hecht & Co. will be formed as of Aug. 18 to conduct a securities business from offices at 14 Wall Street, New York City. Partners will be Alfred Hecht, G. Axel Von Nolcken, member of the New York Stock Exchange, general partners, and Edna Wolff, limited partner.

Marcus & Co. to Admit

Wayne A. Marcus will acquire the New York Stock Exchange membership of the late Allen L. Lindley on July 31 and will be admitted to partnership in Marcus & Co., 61 Broadway, New York City, members of the Exchange, on that date.

With S. A. Sandeen & Co.

(Special to THE FINANCIAL CHRONICLE)

ROCKFORD, ILL. — Florence Hall has joined the staff of S. A. Sandeen & Co., Talcott Building.

Farm Mortgage Debt Up First Time in 17 Years

Total now $5¼ billions, an increase of $170 millions over year ago. Accounted for by higher prices.

The prolonged downtrend in farm mortgage debt, which has been under way since 1929, came to a halt in 1946, according to preliminary figures compiled by the Bureau of Agricultural Economics of the U. S. Department of Agriculture.

The total at the end of last year was tentatively estimated at $5¼ billion, an increase of some $170 millions over the year before.

Lowest Total in Decades

As far as dollar totals are concerned, the farm mortgage debt structure as it stands now would seem to give little cause for uneasiness. Except for 1945, the total farm mortgage debt at the end of last year was the lowest in 32 years. The $5¼ billion figure represents a reduction of over $1¼ billion, or about 20%, from the total outstanding at the beginning of the war, and it is less than half the peak farm mortgage debt of $10.8 billion reached in 1923. In keeping with this reduction, farm mortgage debt per acre last year was only about two-fifths of the 1923 level and per-acre interest charges were less than one-third of those of 1923.

However, there are other elements in the current farm real estate situation that explain the growing concern both in business and governnment circles over the outlook.

Unfavorable Factors

One is the very market increase in the average size of new farm mortgage loans recorded in recent years. In 1940, the average size of new farm mortgage loans was $2,290. Last year this average had increased to just under $4,000, a rise of nearly 75% over 1940. Furthermore, the number of mortgages recorded last year was 26% greater than the year before and 15% above the 1940 total.

Another factor is the great rise that has occurred in farm real estate prices. On March 1, this year, the average price per acre was 92% above the 1935-39 average and only 6% under the all-time peak reached in 1920, at the height of the farm land inflation of the World War I period. Furthermore, sales of farms have been increasing steadily and turnover last year established a new high.

In addition, there is widespread uncertainty over the stability and duration of current high prices for farm products which have been the basic factor in the boom in farm real estate.

Thomas Walton to Be Fahnestock Partner

CHICAGO, ILL. — Thomas B. Walton will be admitted to partnership in Fahnestock & Co., members of the New York Stock Exchange, as of Aug. 1, and will make his headquarters at the Chicago office, 135 South La Salle Street. Mr. Walton was formerly associated with the Chicago office of Jas. H. Oliphant & Co. for many years.

Copenhagen Bonds Drawn for Payment

The Municipality of Copenhagen has given notice that in partial cover of previously suspended drawings for redemption, $559,907.41 principal amount of the City of Copenhagen bonds of 4½% external loan due Dec. 1, 1970, have been drawn by lot for redemption on Aug. 30, 1947, at par plus interest accrued to date of redemption. Payment will be made at the office of Brown Brothers Harriman & Co., New York.

With Holley, Dayton Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Mrs. Irene C. Russell has been added to the staff of Holley, Dayton & Gernon, 105 South La Salle Street, members of the Chicago Stock Exchange. Mrs. Russell was formerly with Rogers & Tracy.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The government securities markets reacted to the defrosting of the certificate rate in much the same manner as they did to the unpegging of the bill rate, with a display of strength in most of the bank-elegible obligations. . . . The reason given for the price betterment in certain sections of the list was that the action taken by the authorities was not as drastic as had been expected. . . . In other words, the market seems to have been pretty well prepared for what has taken place. . . . There are some investors who hold the opinion that recently prevailing prices of the longer issues have more than discounted the action of the Treasury in refunding the Aug. 1 maturity of certificates with an 11 months' obligation carrying a $\frac{7}{8}\%$ coupon. . . . The shortening of the maturity date means a slightly higher cost of borrowing since the interest rate is unchanged. . . .

WHAT NEXT?

The defrosting of short-term rates is here, but the full impact of these changes will not be known for some time yet. . . . The monetary authorities still have the money markets in a guessing game, and there are no signs that it will be cleared up right away. . . .

There is, however, the belief that the certificate rate will be increased cautiously and systematically so as not to unduly disturb the government securities markets. How this will be done is a matter for the authorities to decide. . . . Nonetheless, rumor has it that the maturity date of the certificates will be decreased until the nine months maturities will be carrying a $\frac{7}{8}\%$ coupon. . . . It is expected then that the Treasury will issue a one-year certificate. . . .

The big question is how far will the certificate rate be allowed to rise? . . . There is talk that it will eventually go to a $1\frac{1}{8}\%$ basis, with some apparently hoping it will go up to the $1\frac{1}{4}\%$ level. . . . Time alone will give the answer to this problem, although quite a number of money market followers are not expecting more than a 1% rate for some time to come. . . .

It is believed that the trend of consumers' loans, real estate loans and the level of commodity prices, along with the other inflationary forces will have a very important bearing upon the extent of the rise in the certificate rate. . . .

The opinion is held in some quarters that the aforementioned factors were much more significant in bringing about the unpegging of short-term rates than was the trend of government security prices. . . .

By taking the initial step in the defrosting of the certificate rate on July 17, the Treasury is evidently giving the money market ample time to adjust its position to the new conditions in advance of the September financing. . . . Here again there are plenty of guesses as to how the late summer maturities will be handled, with opinions very general that somewhat higher rates will be paid by the Treasury in the September operation. . . . It will not be too long before some clues will be available in this situation. . . .

MARKET EFFECT

Will an eventual rise in the certificate rate to 1% have a retarding effect upon the movement of bank funds from the shorts into the longer-term obligations? . . . The larger city banks may be deterred somewhat in these switches, by the higher certificate rate. . . . On the other hand, the smaller banks will most likely not be affected much by such a development. . . .

It is being pointed out that operating expenses are still on the rise, and in order to maintain earnings the longer-term higher income obligations must be bought instead of the low yielding short-term issues. . . .

Likewise will a gradual rise in the bill and certificate rates be followed by a repegging on the part of the authorities for all practical purposes, at a slightly higher level? . . . Because of the heavy debt charges rates cannot be allowed to advance very much. . . . Would this type of action stop the trend from shorts into longs? . . .

NEW YORK BANK FAVORITES

Even at the present time the large New York City banks continue to extend maturities despite the fact that short-term rates are advancing. . . . These institutions have been and still are very much interested in the last four maturities of the partially exempt obligations which are the best acting issues in the list. . . . It is reported that the $2\frac{3}{4}\%$ due 1960/65 are the favorites among these banks because of the favorable tax-free yield. . . .

It was pointed out that a better return after taxes can be obtained from this obligation than any other eligible issue, and the maturity is only about 13 years compared with 20 years for the longest taxable bank obligation. . . .

The $2\frac{3}{4}\%$ due 1958/63 and 1956/59 are likewise being bought with the $2\frac{7}{8}\%$ due 1955/60 moving into portfolios largely as a result of exchanges out of the $2\frac{1}{2}$s due 1956/58 and the $2\frac{3}{4}$s due 1956/59.

SHORT SUPPLY

The supply of the longer partially-exempts is limited, with the bonds held by the commercial banks evidently there to stay. . . . Insurance companies and savings banks are no longer an important factor in these securities. . . . Holdings of Federal and government accounts have reached the level where selling of all of the last four maturities of the exempts should not have too much effect upon prices of these obligations. . . .

As far as disposing of these bonds by the authorities is concerned, it is indicated that the market would welcome such a development. . . . The fact that no more of these bonds can be issued adds considerably to the attractiveness of these securities. . . .

HOLDING PRICE LID

The ineligibles are still being sold by the authorities and this is keeping these obligations just slightly above the lows for the year. . . . Nevertheless, the $2\frac{1}{4}$s due 1959/62 are being well taken and have a buoyant tone despite selling by Federal. . . . The $2\frac{1}{2}$s due 1962/67 and 1963/68 are going out of the market as are the longest restricted $2\frac{1}{2}$s. . . .

The changes made so far in short-term rates are not expected to immediately alter the policy of the money managers, since it is indicated they will continue to dispose of the ineligibles in order to keep prices of these issues in line.

B. F. Claybaugh Dir.

Blair F. Claybaugh

Blair F. Claybaugh, founder and head of Blair F. Claybaugh and Company, investment bankers, has been elected a director of West Virginia Water Service Co. The company furnishes water service to 30 communities in West Virginia, including Charleston, the State capitol.

Mr. Claybaugh, whose firm has offices in Harrisburg, New York City, Syracuse, Pittsburgh and Miami Beach, is a member of the Philadelphia Stock Exchange, Union League of Philadelphia, Bankers Club of New York, Masons, and a member of the district governing committee of the National Association of Securities Dealers. As a major in the Army Air Forces, World War II, he was awarded the Legion of Merit and the Army Commendation Ribbon with two Oak Leaf Clusters.

Buenos Aires Calls Dollar Bonds of 1976 For Aug. 1 Payment

Represents Balance of Dollar Indebtedness, says Protective Council.

The Province of Buenos Aires, Argentine Republic, will redeem at par on Aug. 1, 1947, at First of Boston International Corporation, all of its outstanding $4\frac{1}{4}$-$4\frac{1}{2}\%$ external readjustment sinking fund dollar bonds of 1935, due Aug. 1, 1976.

Attention is called by the Foreign Bondholders Protective Council, Inc., to the publication on July 21 by the Province of Buenos Aires of a notice of redemption and payment of all issues of its outstanding dollar bonds on their next interest dates—Aug. 1, 1947, to Jan. 1, 1948. The announcement by the Council says:

"Included are the five issues of bonds offered under the 1935 readjustment plan, the four issues of original bonds floated from 1925 to 1930, and the arrears certificates of 1933. This will leave no dollar bond indebtedness of Argentina outstanding, as redemptions have been made earlier of all dollar bonds of the National Government, the Provinces of Cordoba, Mendoza, Santa Fe, and Tucuman, as also the Cities of Buenos Aires, Cordoba, and Santa Fe.

"It may be recalled that the Province of Buenos Aires maintained full service on its original bonds through 1932; that it offered cash and arrears certificates in full payment of the coupons due 1933-1935 under a temporary arrangement; and that under the 1935 plan of readjustment, negotiate by the Province with Foreign Bondholders Protective Council, Inc., holders of the original bonds having interest rates ranging from 6% to $7\frac{1}{2}\%$, were offered new bonds of the Province with interest rates starting at $4\frac{1}{8}\%$ to $4\frac{1}{2}\%$, reaching the third year and continuing thereafter at $4\frac{3}{8}\%$ to $4\frac{3}{4}\%$.

"The Council recommended the 1935 plan of the Province of Buenos Aires to the favorable consideration of the holders of more than $69,000,000 dollar bonds and arrears certificates, characterizing it as 'fair and reasonable both to the holders of these securities and to the province,' and holders of 99% of the outstanding dollar bonds accepted the offer under that plan."

Streamlining of Budget Demanded

Today's economic conditions demand that government expenditures be resolutely cut "to a point which will make possible both debt reduction and tax reduction," the Committee on Public Debt Policy finds in a study of our national debt and the budget, released on July 17. Declaring high taxes to be one of the greatest handicaps to enterprise and the nation's dynamic growth, the Committee calls for a revenue system sufficient to meet our huge budget and pare the debt, while leaving room for a flourishing economy under which the debt burden may be carried more easily. The present tax scale, the Committee asserts, exacts "heavy and increasing penalties upon those who make the extra effort, take the extra risk and assume extra responsibility."

R. U. Ratchford

Study Undertaken by Ratchford

The study, the work of Benjamin U. Ratchford, Professor of Economics of Duke University, is the fourth to be reviewed and approved by the Committee on Public Debt Policy. The Committee is headed by W. Randolph Burgess, Vice-Chairman of the National City Bank of New York, and is composed of leading economists, bankers and insurance executives. Its studies are financed by the Falk Foundation of Pittsburgh.

"A policy of debt reduction is desirable," according to the Committee, "because (1) the increase in debt has involved a great expansion in the money supply, which constitutes a danger whenever the psychology of the people becomes inflationary; (2) the size of the debt and its service restricts the freedom of the Treasury and the Federal Reserve System in the credit policies; (3) a large debt makes mistakes in debt management more serious; (4) the greater the debt and its service, the more formidable the problem of financing some future emergency without acute monetary disturbances."

The present Government structure, in the opinion of the Committee, is so vast and complex that the organization itself is out of control and the whole mechanism calls for streamlining; but economies will require careful discrimination to avoid impairing essential services, "particularly those which have neither dramatic public appeal nor any lobby to support them." What can be done this year is viewed by the Committee only as an initial approach to the problem, since a vigorous continuing effort will be needed to bring Government spending down to reasonable size.

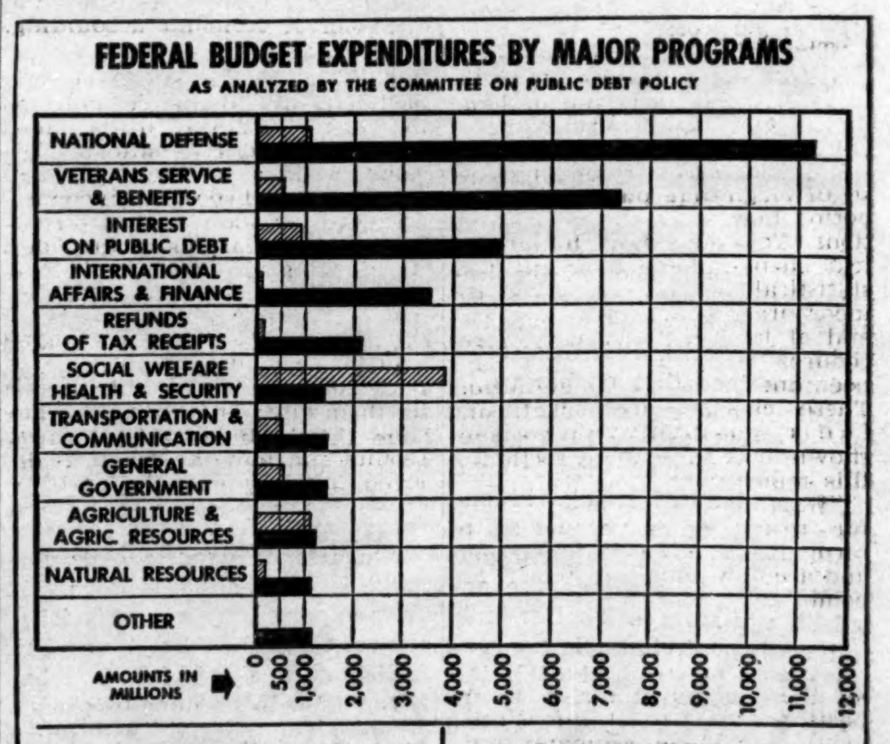
The Committee believes that substantial savings will require a reconsideration of broad policies for which Congress is largely responsible. With respect to military expenditures, the question is raised whether these policies have been adjusted to the new scientific methods of warfare or whether we are spending for weapons, equipment and training already obsolete.

Regarding the large expenditures for veterans, the Committee believes that payments totalling a billion dollars in the past year for veterans' unemployment allowances at a time of widespread labor shortages calls for a reexamination of the legislation and the administrative policies under which the payments were made. Similarly, the fact that two-thirds of the cases being treated in veterans' hospitals represent nonservice disabilities raises a question of major policy.

Another policy said to need reexamination is the timing of public works and projects for development of transportation and communication and natural resources. "In a period when inflation is a menace," the Committee asserts, "these projects should surely be deferred to a day when such spending can be made an aid to economic stability, rather than adding to the inflationary pressure."

"Cutting the budget," the Committee concludes, "is essentially a political as well as an economic problem. Success will depend on the reaction of the people. Every cut in the budget hurts or inconveniences someone or some group, which puts up a fight against that particular form of retrenchment. A successful long-term program of Government efficiency and reduction of unnecessary costs involves public education and public support for sound policies.

"Thus, the problem of reducing Government costs is not easy nor simple nor can it be quickly solved. It will call for a continued and vigorous effort in which the Administration, the Congress and the people are united in their determination to bring our Government to a higher measure of efficiency, so it may serve the people more adequatley and at the same time will not be so expensive as to interfere with the country's well-being and retard its dynamic growth."



National Income Statistics Revised

Commerce Dept. issues report on basic revision of estimates of National Income and National Product. Furnishes segregation data on income components with view to not only improving accuracy and utility for domestic use, but also for establishing pattern for similar computations by other nations. Effect has been to raise level of estimates.

The Office of Business Economics of the United States Department of Commerce, of which Amos E. Taylor is Director, has issued a report revising the basis of the estimates of the National Income and the National Product, which it has been publishing regularly under a resolution of the 72nd Congress for a number of years past.

Amos E. Taylor

According to the report, which appears as a Supplement to the Department's "Survey of Current Business" for July, the revision was designed to accomplish three objectives: (1) to complete the setting up of the whole body of national income statistics as an interrelated and consistent system of national economic accounting, (2) to improve the statistical procedures used in estimating all the series and to base them on the latest source data, and (3) to incorporate a number of changes in the basic aggregates so as to achieve more generally useful and clear-cut definitions of national income and national product. The definitions and presentation of the statistics were worked out in consultation with technicians from other countries in order to promote international comparability of national income statistics.

"The results," says the report, "constitute far more than a routine revision. For in addition to statistical refinements, the data have been cast into a theoretical mold which, we believe, constitutes a major improvement in the structure of national income statistics. Considerable new information has been provided, particularly the complete accounts for the major sectors of the economy and the distribution of national income by legal form of organization. A much improved and more detailed industrial classification has been adopted and extended back through the estimates to the year 1929. In general, the new series have been computed with better articulation of detail, not only in the interest of statistical accuracy, but to clarify the meaning and content of the aggregates and to provide an expanded body of data for analytical purposes.

"The net effect of the changes made in the estimates has been to raise the level of the national income and the other basic aggregates. For the period before the war the increases are of relatively small magnitude but for the war period they reach sizable proportions. To some extent the numerical changes have resulted from statistical revisions—that is, the incorporation of later source data and of improved estimating procedures—but primarily they have been due to changes in definition. These changes are listed, and their quantitative importance shown, in a subsequent section of this report.

"With respect to the estimates for recent years, it should be recognized that the most complete and accurate source materials become available only after considerable lapse of time. During that interval, the Department of Commerce prepares estimates for all the component series on the basis of the partial information available. These estimates must be subject to revision until the basic sources can be used. For example, the various censuses are taken only periodically and then cannot be made available for some time after the year the census covers, while tabulations of income tax returns are generally not available for more than two years after the tax year. At the present time the difficulties of preparing estimates for recent years are increased by the fact that no censuses of manufactures or business were taken during the war emergency.

"While this report contains an enumeration of the changes in national income and product that have been made and a series of definitions of the major aggregates and their components, it cannot deal adequately with the problems involved in concepts, statistical methods, and use of sources. A comprehensive volume containing a full discussion of these matters is in preparation and will be published as soon as possible. We appreciate that during the last few years users of income and product statistics have encountered difficulties because the data were not conveniently assembled or adequately described. Within the limit of available resources, every effort is being made to correct this situation.

"In this report we begin with a brief description of the framework of the national income accounts as a guide to those unfamiliar with this approach. There follow a series of definitions of the major aggregates and their components used in the present estimates and a description of the changes from our previous estimates.

The National Economy and Major Economic Sectors

"National income research over the past decade and the experience gained in using the statistics in analytical work have broadened the scope of the field. It has become evident that a single national income aggregate is not applicable to all problems requiring a measure of the income or output of the national economy, but that alternative measures are at times better adapted to the needs at hand. Furthermore, it has been found illuminating not only to measure the various aggregates of income and product but to develop national income and related statistics into a system of economic accounting.

"In its work in the field of national income statistics, the Department of Commerce presents the series believed to be most generally useful — national income, national product, personal income, and disposable income—arranged to show the interrelations of the various magnitudes. As an integral part of this work, the current income and outlay accounts for the major sectors of the economy and a consolidated capital account are drawn up, both because they are of interest in themselves and because they show the interactions of these sectors and how the whole is derived as the sum of the parts."

With Saunders, Stiver

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, O.—William B. McElroy has become associated with Saunders, Stiver & Co., Terminal Tower Building, members of the Cleveland Stock Exchange. Mr. McElroy was recently connected with Hirsch & Co. In the past he was with Sutro Bros. & Co. and Goodbody & Co.

Senate Unit Shelves Treasury Flexible Exchange Rate Bill

On July 17 the Senate Finance Committee decided to pigeonhole for the current session, legislation empowering the Treasury Department to establish a daily exchange rate on fluctuating foreign currencies for customs purposes where there are dual or multiple exchange rates. The bill, which was introduced in Congress on June 12 by Rep. Robert W. Kean (Republican, New Jersey) was referred to in our issue of June 19, page 3271. The measure passed the House on June 26.

Lek Is New Albania Monetary Unit

The National City Bank of New York has been advised by the State Bank of Albania, Tirana, Albania by cable dated July 10, 1947 as follows:

"We inform our Government has published 7th instant ruling relative replacing old currency by new issue. Operation will be effected 11th until 20th July. New monetary unit is lek. Exchange one franc against nine leks. Rate one dollar—fifty leks."

Vincent C. Scully Joins Staff of Hicks & Price

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Vincent C. Scully has become associated with Hicks & Price, 231 South La Salle Street, members of the New York and Chicago Stock Exchanges. Mr. Scully was previously with Straus & Blosser.

Joins Carl Marks Staff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Stanley M. Pietraszek is now with Carl Marks & Co., Inc., 208 South La Salle Street.

World Bank Bonds Widely Distributed

Reporting on the progress of the distribution of the World Bank Debentures since their initial offering last week, E. Fleetwood Dunstan, the institution's Marketing Director, at a press conference in New York July 21 stated that the securities have been sold not only on a nationwide scale, but

E. Fleetwood Dunstan Eugene R. Black

also to Canadian dealers for clients holding American dollars and to some foreign institutions with dollar exchange here. He stated that spot checks show that bonds have been placed with the following categories of buyer: life and fire insurance companies, charitable fraternal and educational institutions, trust funds, commercial banks, savings banks, corporations, investment trusts, individuals, and foreigners. Special questionnaires have been mailed to the 1,700 participating dealers, asking them to list how many of each bond have been distributed to each of these buyer categories, by states and by unit of sale. The returns will both give valuable information about the actual distribution of the initial offering, and also guide the institution's officials in the flotation of future issues.

Mr. Dunstan and U. S. Executive Director Eugene R. Black said that the market for the bonds over-the-counter has been considerably more active than on the Stock Exchange. They stated that it is indicated that most of the sales have been in small lot lots, but that the resales have been in larger amounts, indicating profit-taking and the rounding out and liquidation of commitments by those who were allotted unsatisfactory amounts.

Pending Applications

The officials indicated that the indications are slim that there will be any demand for new money from the public until next year. Following are the loan applications which have thus far been received: France, $250 million (additional); Czechoslovakia, $350 million; Poland, $600 million; Chile, $40 million; Denmark, $50 million; Iran, $250 million; Netherlands, $535 million; Luxembourg, $20 million; and Mexico, $208 million.

Mr. Dunstan stated he desired to express the deepest gratitude of the Institution to the top executives of security dealer organizations "who have contributed their valuable experience, time, talents, and ability generously day and night toward helping in the distribution of the initial offering." These individuals and their respective firms are:

Francis T. Ward of Morgan, Stanley & Co.; H. Warren Wilson of Union Securities Corp.; Dudley Schoales of Morgan, Stanley & Co.; George Holzman of Chase National Bank; Robert L. Thayer of Lehman Bros.; John Buck of Kidder, Peabody & Co.; Sidney Duffey of Blyth & Co.; Eugene M. Mattalene of Hornblower & Weeks; Elmer F. Dieckman of Glore, Forgan & Co.; Charles Ettinger of Halsey Stuart & Co.; James J. Lee of Lee, Higginson Corp.; W. Scott Cluett of Harriman, Ripley & Co.; Hudson B. Ludin of Dillon, Read & Co.; Richard A. Woods of Merrill Lynch; William E. McGuirk of Kuhn, Loeb & Co.; John A. Traub of First Boston Corp.; H. Laurence Bogart of Eastman, Dillon & Co.; Lester Spalding of White, Weld & Co.; George Murnane Jr. of Lazard Freres & Co.; Earle K. Bassett of W. E. Hutton & Co.; Earl Gatchell of F. S. Mosely & Co.; Peter J. Murphy of Shields & Co., and Daniel W. Hawkins of Salomon Bros. & Hutzler.

Sees Disturbing Factors Ahead for Textile Industry

Dr. William P. Jacobs of Cotton Manufacturers Association says synthetic substitutes threaten abandonment of present methods of spinning and weaving, while our international philanthropy, in encouraging foreign cloth production, may not only cause loss of foreign markets in textiles, but may result in calamity to home consumption of our domestic output.

In an address at the recent dinner session of the Carolinas Banking Conference at the University of North Carolina, Chapel Hill, N. C., Dr. William P. Jacobs, President of the American Cotton Manufacturers Association, expressed the view, that although present conditions of our cotton textile industries is, on the whole favorable, the long-range outlook is beclouded by adverse factors. Of these, Dr. Jacobs spoke as follows:

Dr. W. P. Jacobs

While the immediate future for textiles in the United States looks favorable, one is forced to admit that in the long pull there are many disturbing factors on the distant horizon.

We must admit that the industry is already changing from a cotton textile industry to a textile industry, as cotton loses ground steadily to competitive fibers.

Who knows but that soon the industry will be forced to abandon its antiquated, expensive methods of spinning and weaving and learn how to produce its cloth by the labor and time-saving methods of pouring, pressing, stretching, gluing or laminating its cloth and thus go through the transition into "just an industry."

We know that it requires from 15 to 20 pairs of hands to handle cotton at its various progressive steps from the bale to the finished cloth and we know also that it takes only four such hands to tend the manufacture of a similar unit of paper.

We know that the textile industry is badly outmoded and out on a limb competitively because its process requires more manual labor proportionately per unit than is needed in other major industries.

We know also that certain units in the industry are experimenting with multiple long draft in spinning, a process which goes directly from carding to spinnable yarn and eliminates several intermediate processes.

We also know that certain plants are even so bold as to eliminate spinning and weaving and substitute plastics to make certain cloths which do not require unusual tensile, strength, such as curtains wiping cloths, cloth coverings, etc.

All of these are yet in the experimental stages, but their successes are already sufficient to indicate that they will ultimately make radical changes in our entire textile manufacturing process.

These impending changes definitely indicate further uncertainties and becloud the long-range future with questions marks.

Incidentally, the uncertainties which face the cotton manufacturer also face the cotton farmer, and there is definite indication that the solution with each may lie along parallel lines of mechanization, low-cost products and mass production. If this be true, the first natural question arising will be "What is to become of the hundreds of thousands who will become unemployed as a result of extreme mechanization and mass production?" The uncertainty which faces industry also faces the industry's employees and its suppliers of raw materials. If the industry ultimately is forced to resort to synthetic fibers to meet exacting competition, then who knows but that the same emergency may force the cotton farmer to so mechanize the cultivation and harvesting of his crop as to reduce its value to the point that its fibers will be usable only as material for cellulose. Who knows but that for cheaper fabrics King Cotton may face the humiliation of being ground to make the foundation for its chief competitor, rayon. Such an eventuality is not unthinkable and some smart agricultural thinkers recognize such possibilities as we learn mechanized cultivation, defoliation, sledding or machine picking and changed ginning. There is always hanging over the head of the cotton South the ominous spectre of rayon or other synthetic yarn at a cost considerably below 20 cents, and the faint hope that cotton, through some sort of low-cost mechanization, will be able to meet that severe competition.

But you may quite properly say that as far as industry is concerned it can change to the synthetic fibers, and it can; but it should always be remembered that with forced changes come uncertainties and often failures, particularly for those units which are lacking in flexibility.

The biggest question mark on the textile horizon of the future is found in the current trend toward international cooperation.

We are living in a world where only the United States is wealthy. We are the only nation with dollars. Our industries have more quickly readjusted themselves since World War II.

International Philanthropy

Yet we realize that we cannot expect our industries to sell other nations unless we can supply our customer nations the dollars with which to buy our products.

We are quite properly fed up with so much international philanthropy, which seems not only never to be paid back, but is not even appreciated by the beneficiaries, and it never accomplishes the good for which it is intended.

How then can we play the part of big brother and help our neighbors to help themselves except by offering to buy their products with our dollars so that they may have dollars with which to buy from us?

The realization of this necessity began before World War II and it was accentuated during and since the war. If we are going to help other countries which are poorer than we—and some of them are actually destitute—we must buy from them. The balance of trade cannot always be so one-sided. Thus, our strength is our international weakness. If we must buy from our debtor nations, what can we buy? We cannot buy automobiles, electric refrigerators and other expensive heavy goods, for they cannot make them and they don't have them to sell.

The only items which they all can make are food and clothing. Food is not available for international trade because it is too perishable and, also, our debtor nations are too hungry to sell it.

That leaves clothing as the natural and only medium through which international barter can be arranged.

Every nation in the world can make cloth. Most of them are already doing so. There is a market in every nation for cloth and thus an opening for new textile industries in every nation. The world is comparatively naked.

It is perfectly natural, therefore, that our nation, prodded by our internationally philanthropic State Department, should sponsor the cause of world barter whereby we will buy the world's yarn and cloth with our dollars in order that our world customers may then take the dollars and buy our automobiles, electric refrigerators and other heavy goods.

It is an ideal plan for the world.

It is great for the impoverished nations which otherwise would be unable to buy.

It is great for the workers in foreign countries who will get the jobs of making the barter cloth which otherwise normally would have been made by American workers.

It is great for foreign cotton farmers who ultimately will find in enlarged textile industries in their own countries enlarged markets at home for their own raw cotton to replace American cotton.

It is even great for the U. S. Treasury which by this process avoids the making of limitless foreign loans which would never be repaid.

Furthermore, it is great for the American manufacturers of automobiles, electrical appliances and other heavy goods which the foreign countries cannot make, for it gives them an enlarged, financed foreign market which otherwise would be too poor to become their customers.

Loss of Foreign Markets

But what about the American cotton mills which by this process will lose their foreign markets and under free trade or low tariffs will face expulsion from their own home market by foreign-made goods?

What about the American textile workers whose jobs will, by this process, be transferred abroad and given to the foreign workers?

And what about the American cotton farms who will lose their foreign markets and perhaps suffer foreign encroachment upon their own?

Industrial capital can with some loss go abroad and reinvest as it liquidates and leaves our domestice mills, but what about the communities at home which depend upon the mill payrolls and the government schools, hospitals and other public facilities at home which depend upon the cotton mill taxes?

And how are the American cotton farmers and cotton mill workers to find substitute employment in an area which would be rendered inactive and idle as foreign textile industries are nurtured at the expense of our own?

That is what the American textile mills face in the long-range future. How far off it is will depend upon how quickly the impoverished countries will grasp our philanthropies. The speed with which the calamity will hit us will be measured by the alacrity with which we embrace a "one world" policy under the guise of world humanitarianism, fighting Communism or some other subterfuge.

Maybe Americans need a full-fledged injection of extreme nationalism (not isolationism) to check our philanthropic tendencies. Perhaps we need to know anew the importance of "holding fast" that which we have as a first essential of world stability.

Nevertheless, whatever may be the outcome of our international bigheartedness, one thing is definite, and it is that the long-range future of American textiles is most indefinite. Its only certainty is that its future is most uncertain.

Reports $100 Million Earmarked for Italy

Chairman Martin of Export-Import Bank notifies Italian Ambassador separate credit allotments will be made to sectors of Italian industry in promoting its foreign trade.

Wm. McC. Martin, Jr., Chairman of the Board of Directors of the Export-Import Bank, addressed on July 16 the following letter to Ambassador Tarchiani of Italy:

July 16, 1947

My Dear Mr. Ambassador:

On the occasion of the visit of Prime Minister de Gasperi to the United States early in 1947, the Board of Directors of the Export-Import Bank discussed with members of the Mission the credit needs of Italy and earmarked $100 million for assisting specific segments of Italian industry to restore and expand their export markets under terms and conditions set out in my letter of Jan. 14, 1947 to the Honorable Pietro Campilli.

W. McC. Martin, Jr.

At the request of the Italian Government, early in May the Bank sent two of its officials to Italy for exploratory discussions with appropriate authorities, and to survey industrial conditions.

The Board of Directors of the Bank has reviewed the financial situation of Italy in the light of the findings of its representatives and of other pertinent studies and information, and has decided that it is prepared to receive and consider separate credit applications on behalf of specific sectors or subsectors of Italian industry engaged directly or indirectly in promoting Italian foreign trade. The terms and conditions of each credit will depend on the circumstances of the respective case.

Yours sincerely,
Wm. McC. Martin, Jr.,
Chairman.

His Excellency,
Signor Alberto Tarchiani,
Ambassador Extraordinary
and Plenipotentiary,
Italian Embassy,
Washington, D. C.

English Gold and Silver Markets

We reprint below the quarterly bullion letter of Samuel Montagu & Co., London, written under date of July 1.

Gold

The amount of gold held in the Issue Department of the Bank of England was unaltered at £247,-833.

The Bank of England's buying price for gold remained unchanged at 172s. 3d. per fine ounce, at which figure the above amount was calculated.

The gold output of the Transvaal for the months of March, April and May, 1947 is shown below, together with figures for the corresponding months of 1946 for the purpose of comparison:—

	1947 (fine ozs.)	1946 (fine ozs.)
March	815,157	877,449
April	908,745	994,988
May	1,007,456	1,049,195

Silver

During the second quarter of the year, the official price of silver in the London Market ranged between 46d. and 37d. per ounce .999 fine for cash and 45¾d. and 37d. per ounce .999 fine for two months' delivery. The price of 37d., quoted on June 26, is the lowest touched since Sept. 24, 1945, when there was a rise from 25½d. to 44d. following the raising of the price for foreign silver in the U.S.A. from 44¾ cents to 71.11 cents per ounce.

The period under review saw a downward tendency, following the trend of prices in New York, where the market quotation declined from 76 cents per ounce in April to 59¾ cents towards the end of June, allowing for expenses, the latter figure gives a parity of about 33¼d. so that the London price at 37d. did not entirely follow the decline in New York; selling was not pressed at the low level, consequently the moderate interest shown by buyers was sufficient to maintain London prices at slightly above New York parity. During the last days of June, there was an upward reaction in New York and 61¾ cents was quoted on June 27; following this harder tendency, the London price moved in conformity and was quoted 38d. for both cash and two months' delivery on June 30.

Enquiry for silver for essential industries has remained steady, but with no resumption of the issue of licences for the import of silver into India, the market in free exportable silver continues inactive.

It was learned early in June that the Indian Government had begun to issue one rupee coins of pure nickel for the eventual displacement of the existing nickel-silver pieces. This completes the arrangements for the substitution of nickel for silver in the Indian coinage, as steps had already been taken in May, 1946 to replace nickel-silver ½ and ¼ rupee coins by the same denominations in pure nickel.

SILVER QUOTATIONS (per ounce .999 fine)

1947	Cash Delivery High	Low	Average	Two Months' Delivery High	Low	Average
April	46d.	45d.	45.8250d.	45¾d.	44¾d.	45.1500d.
May	44¾d.	43d.	44.1428d.	44½d.	43d.	44.3833d.
June	43d.	37d.	41.2976d.	43d.	37d.	41.2976d.

FIC Banks Place Debs.

A successful offering of two issues of debentures for the Federal Intermediate Credit Banks was made last week by Charles R. Dunn, New York, fiscal agent for the banks. The financing consisted of $22,070,000 1.10% consolidated debentures dated Aug. 1, 1947, and due Feb. 2, 1948 and $29,885,-000 1.15% consolidated debentures dated Aug. 1, 1947 and due May 1, 1948. Both issues were placed at par. Of the proceeds $39,910,000 will be used to retire a like amount of debentures due Aug. 1, 1947 and $12,085,000 is for new money purposes. As of Aug. 1, 1947, the total amount of debentures outstanding will be $383,060,000.

Strong, Cobb & Co. Opens

Strong, Cobb & Co., Inc., is engaging in a securities business from offices at 28 Nassau Street, New York City.

With Bourbeau & Douglass

Special to THE FINANCIAL CHRONICLE

BEVERLY HILLS, CALIF. — Herman R. Griffin is with Bourbeau & Douglass, 133 North Robertson Boulevard.

Gold Selling Plan Portends No Free Market

American Smelting & Refining announcement of offering gold from Canadian concentrates applies only to ore requiring special treatment. Canadian Government still retains its requirement that Canadian gold be sold to mint at fixed price. Secretary Snyder and Reserve Board ask banks and businesses not to extend facilities for foreign dealings in gold. Metal in Philippines reported selling at $45½ an ounce.

Announcement by the American Smelting & Refining Co. that it would take gold concentrates from Canadian producers and sell the refined product at a premium in the open market has stirred up considerable interest in view of the request on June 24 of the International Monetary Fund asking its members to stop premium-price dealings in the metal. On July 16, Secretary of Treasury Snyder stated that the Treasury was not, as yet, concerned with the affair and would do nothing at present to stop it.

Moreover, Treasury Department attorneys hold the refining company's offer was legal under present regulations. These regulations omit restrictions on possession or sale of raw gold ore in this country, because dealings in gold in its unrefined state have been considered "impracticable" and necessarily limited in amount.

The attorneys explained that the difficulty in determining the value of gold contained in masses of raw ore is an obstacle to trading in the metal in that form.

Canadian Position

On July 18, Canadian Finance Minister Abbott explained to the House of Commons in Ottawa that there was no change in the Canadian Government's requirements that domestically produced gold must be sold to the Canadian Mint at the parity price of $35 per ounce, but he announced that the Government has for some time permitted certain gold mines in British Columbia, whose ore contains arsenic and required special treatment which is not conveniently available in Canada, to ship their concentrates to the American Smelting and Refining Co. for treatment.

It is this gold that the refining company has offered to sell in the open market at a premium price, allowing the Canadian producers 90% of the premium offered.

The Finance Minister, though not committing himself to any change in Canadian gold policy, called attention to the request of the International Monetary Fund that private dealings in gold at premium prices be prohibited. "We believe," he added "it is in conformity with our international obligations and in the public interest to prohibit exports of gold to this so-called free market."

Ask Cooperation Against Private Gold Dealings

Though taking no action against private gold selling abroad, the Secretary of the Treasury, John W. Snyder, and the Board of Governors of the Federal Reserve System on July 18 issued the following joint statement requesting banks and business not to lend their facilities for this traffic:

"It is well known that active speculative markets in gold exist in various foreign countries. For the most part, these markets are illegal, though in a few instances importation or sale of gold is legal or is tolerated. Under present circumstances gold is traded in many foreign centers, often against U. S. dollars, at prices above monetary parities. The premiums differ from one center to another, so that speculators can make large profits by purchasing gold in one foreign market and selling it in another.

"The International Monetary Fund recently issued a statement deprecating international dealings in gold at premium prices, and requesting member countries to take such action as they can within their jurisdictions to prevent such dealings. The Fund emphasized that these transactions tend to undermine exchange stability and cause gold to flow into private hoards rather than into monetary reserves. Furthermore, in countries where the gold is sold, payment is often made with dollars illegally acquired or held. Moreover, foreign exchange which otherwise could be used for sorely needed imports is diverted to the purchase of gold for private hoards.

"In view of these circumstances, and on general grounds of the national policy, the Treasury Department and the Board of Governors of the Federal Reserve System request American individuals, banks and business enterprises to refrain from encouraging and facilitating this traffic and in particular to refrain from extending the use of their facilities and funds for the carrying out of such transactions."

Gold at $45½ an Ounce in Manila

In the meantime, despite the efforts of the International Monetary Fund and the U. S. Canadian and European Governments, a free market for gold appears to be developing, particularly in the Far East. It was announced at Manila, P. I., that the Philippine Government would do nothing to hinder private gold sales and that current price for the metal was $45.50 per ounce compared with the official price of $35 an ounce in the United States. It is understood, moreover, that President Manuel Roxas of the Philippines favors the establishment of a free gold market locally in order to aid in the rehabilitation of the Philippine gold mining industry. The sales of Philippine mine output, relatively small in amount, are made largely through London for Chinese accounts.

Halsey Stuart Offers Central of Pa. Equips.

Halsey, Stuart & Co., Inc., and associates on July 22 were awarded $3,750,000 Central Railroad Co. of Pennsylvania 2⅜% equipment trust certificates, series B, maturing $250,000 annually July 15, 1948 to 1962, inclusive. The certificates, issued under the Philadelphia plan, were immediately re-offered, subject to Interstate Commerce Commission authorization, at prices to yield from 1.35% to 2.65%, according to maturity.

The company is a wholly-owned subsidiary of The Central RR. Co. of New Jersey, debtor. Since Aug. 5, 1946, the company has operated under lease from the trustee of The Central RR. Co. of New Jersey about 213 miles of railroad extending from the state line at Easton to Scranton by way of Wilkes-Barre. This mileage is all, or substantially all, of the lines formerly operated by The Central RR. Co. of New Jersey in Pennsylvania.

The certificates will be jointly and severally unconditionally guaranteed as to principal amount and dividends by endorsement by Central RR. Co. of Pennsylvania and by Walter P. Gardner as trustee of the property of The Central RR. Co. of New Jersey and not individually. In addition to the foregoing guarantee, said trustee will unconditionally guarantee that The Central RR. Co. of Pennsylvania duly and punctually perform and observe all of its other obligations under the agreement and lease.

First California Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF. — Jack R. Naylor has been added to the staff of First California Company, 300 Montgomery Street.

Packers' Spokesmen Sees Lower Fall Meat Price

R. J. Eggert, Associate Director of American Meat Institute, foresees 15% increase in meat supplies this fall and winter, but thereafter supply will depend on available grain.

A 15% increase in meat supplies is expected this fall and winter, the Joint Congressional Committee on the Economic Report on July 17 was told by R. J. Eggert of Chicago, Associate Director of Marketing of the American Meat Institute.

R. J. Eggert

"It follows," said Eggert, "that moderately lower prices may be looked for at that time, unless there are more wage increases and other developments which would further increase the public demand for meat. Present prices are simply the result of more people having more money and wanting more meat than ever before, at a time when supplies are seasonally low. Now, as has been the case for many years, the price level of meat corresponds almost exactly with changes in industrial payrolls, due allowances being made for changes in supplies.

"Meat prices have advanced since January of this year as a result of three things:

"(1) A seasonal decline of 10 to 15% in available supplies of meat; (2) increases in weekly wages in industry to an all-time high; (3) a record peak of 60 million people being employed—up about 4% from January.

"Also current storage stocks of meat are smaller than the prewar average.

"Another complicating factor is that the current outlook for grains, as compared with a year ago, is unfavorable and there are prospects for large grain exports. If this comes about, it may prevent an increase in meat production which seemed probable for 1948. It may even result in some decrease in production, this depending on the weather conditions affecting the corn crop throughout the remainder of the growing and maturing season. Grain exports materially affect meat supplies. Had the grain, other than wheat, exported last year been fed to meat animals the meat supply would have been increased by about ten pounds per person."

Edw. York, Jr., Gov. of Inv. Bankers Associat'n

PHILADELPHIA, PA.—Edward H. York, Jr., of Drexel & Co., has been elected a Governor of the Investment Bankers Association of America for a three-year term to succeed Walter A. Schmidt, Schmidt, Poole & Co.

A. E. Nichols With First California

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CAL.—Arthur E. Nichols has become associated with the First California Company, 510 South Spring Street. Mr. Nichols was formerly resident manager for Carter H. Corbrey & Co. and prior thereto was with Hill, Richards & Co.

Dwight C. Baum has also joined the firm's staff.

Two With H. C. Robinson

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, CONN.—Hector F. Bernier and Elbert A. Searle have joined the staff of Henry C. Robinson & Co., Inc., 9 Lewis Street.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

UNDERWRITERS TRUST COMPANY, NEW YORK

	June 30, '47	Dec. 31, '46
Total resources	$36,086,932	$36,624,438
Deposits	33,284.212	32,780,520
Cash and due from banks	6,483,535	7,223,832
U. S. Govt. security holdings	8,586,976	10,552,266
Loans and disc'ts	15,452,305	13,094,913
Surplus and undivided profits	1,622,266	1,583,543

* * *

Bank Item ONE One 1

Arthur C. Kleeman, President of **Colonial Trust Company, of New York** announced on July 17 the promotion of Milton S. Henderson from Assistant Vice-President to Vice-President in charge of the bank's Credit Department.

* * *

Manufacturers Trust Company of New York announces that it has completed a program of modernization and renovation of the building which it purchased some time ago at 49-51 Broad Street adjoining its main office at 55 Broad Street. Walls have been broken through on each of the building's seven floors permitting access to it from corresponding floors of the main office building. The building, which was for many years occupied by the brokerage firm of Post & Flagg, has been modernized in every particular.

* * *

President Charles H. Diefendorf of the **Marine Trust Company of Buffalo, N. Y.** announced on July 11, the appointment of Vice-President Joseph G. Fischer as First Vice-President and Vice-President Albert L. Sanderson and Vice-President Francis A. Smith as Executive Assistants to the President, according to the Buffalo "Evening News" of July. 11. The same paper on July 14 reported that Alva L. Dutton has been named Vice-President in charge of the Marine Trust Company's Main-Seneca office, formerly known as the main office. Under the new arrangement, Mr. Dutton will be in charge of all functions of this office.

* * *

At a meeting of the Board of Directors of the **State Street Trust Company, Boston**, held July 21, C. Wendell Holmes was promoted from Auditor to Assistant Vice-President, and James W. Powers was elected Auditor. Mr. Holmes, who lives in Melrose, came to the Trust Company at the time of the merger of the Union Trust Company in 1936. Mr. Powers, a resident of Cambridge, joined the staff of the bank in 1925. In recent years he has been a member of the Auditing Department.

* * *

Richard B. Evans, President of Colonial Life Insurance Company of America, has been elected a Director of **Commercial Trust Company of New Jersey, Jersey City.** Mr. Evans was born in Fort Wayne, Ind., and received his education at the University of Michigan. He entered the insurance field in 1923 and became connected with Colonial Life in 1933 He has been a Director since 1942 and President since 1945. Mr. Evans is a member of the Membership Committee of the American Life Convention and a Charter Member of the Hudson County Life Underwriters Association and has served in many capacities connected with the insurance business.

* * *

The directors of the **Union National Bank of Newark, N. J.**, announced on July 18 the appointment of C. Warren Crandall, formerly of Highland Park, as Executive Vice-President. Reporting this the Newark "Evening News" of July 18 also said in part:

"Mayor Murphy, newly elected President who succeeded Arthur A. Quinn in a reorganization last month, made the announcement. Mr. Crandall, named unanimously, had been Executive Vice-President, Trust Officer and Director of the First National Bank of Highland Park for three years. He resigned last May.

"In the Newark bank Mr. Crandall succeeds William Dunkel. Mr. Dunkel severed connections with the bank in April."

* * *

The capital of the **Hunterdon County National Bank of Flemington N. J.**, has been increased from $100,000 to $500,000 by a stock dividend of $400,000 according to the weekly "Bulletin," July 14, of the office of the Comptroller of the Currency. The enlarged capital became effective July 3.

* * *

With an upsurge in the volume of collection items reflecting an increase in business activity, the **Corn Exchange National Bank and Trust Company, Philadelphia**, has expanded its "Round the Clock" correspondent service, President David E. Williams announced on July 15. The expanded service, featuring air mail and direct sendings, is expected to save from 24 to 36 hours in the collection of items.

* * *

Stockholders of the **Frankford Trust Company of Philadelphia** have voted to increase the capital stock from 50,000 shares to 60,000 it is learned from the Philadelphia "Evening Bulletin" of July 14, which added:

"Rights to subscribe one for five shares will be issued to holders of record June 18."

* * *

Howard C. Petersen, who recently resigned effective July 31 as Assistant Secretary of War, will become Executive Vice-President of the **Fidelity-Philadelphia Trust Co. of Philadelphia** on Sept. 22. His appointment was announced on July 15 by Stanley W. Cousley, President of the Bank, who also announced changes affecting four other officers. These changes effective immediately, were noted as follows in the Philadelphia "Evening Bulletin" of July 16.

"Frederic C. Wheeler, Vice-President since Jan. 1, 1936, becomes Vice-President in charge of new business and public relations.

"John S. Malick, Vice-President since Nov. 19, 1943, becomes Vice-President in charge of the banking and commercial departments.

"Thomas L. Ralph, who served as senior trust investment officer since Dec. 8, 1944, becomes Vice-President in charge of the trust department.

"Maurice Griest, real estate officer since Feb. 1, 1941, was appointed head of the real estate department."

When Robert P. Patterson was appointed Secretary of War in September, 1945, Mr. Peterson who now joins the Fidelity-Philadelphia Trust was made a Special Assistant, said the "Evening Bulletin," which added:

"He was advanced to Assistant Secretary Dec. 29, 1945. Before joining the War Department he served as a member of the national emergency committee of the Military Training Camp Association."

* * *

A. M. McNickle, formerly associated with Kennedy Sinclaire, Inc. of New York has been elected Vice-President of the **Fidelity Trust Company of Pittsburgh,** it was stated in the July 15 issue of the "Post Gazette" of the City which further said that prior to joining the Kennedy Sinclaire organization, he was Assistant Trust Officer of the Third National Bank and Trust Company of Scranton.

* * *

The directors of the **Northern Trust Company of Chicago,** announced the promotion of two officers and one employee. They are Warren F. Sarle, and Alan R. Kidd both from Second Vice-Presidents to Vice-Presidents, effective immediately, and Dean Phemister from Investment Research to an Attorney, effective July 21. Mr. Sarle joined the Bank in 1927. In 1930 he was appointed Assistant Manager, and in 1941, Second Vice-President. Two years later he assumed the additional responsibility of manager of the Bond Department, in charge of sales, a position he will continue to hold as Vice-President. Mr. Kidd joined the Northern Trust Company in 1928 and worked his way through the various positions until 1941 when he was promoted to Second Vice-President. Mr. Phemister came to the Northern Trust Company in 1940. After serving in a general capacity for a number of years, he joined the Investment Research Department where he remained until February, 1942, when he entered military service. With his discharge as a Captain in 1946, he reentered the same department.

* * *

Permit to open in Tokyo a branch of the **Bank of America of San Francisco** has been issued by the Federal Reserve Board, according to L. M. Giannini, President of the bank. Vice-President Tom B. Coughran of the institution's International Banking department is now in Japan to make the arrangements for the branch, which is to be opened for service as soon as possible. Mr. Coughran supervised installation of the Bank of America branch in Manila, which opened April 15.

* * *

The **United States National Bank of Portland, Oregon,** has announced that Carvel C. Linden, President of the Second National Bank of Paterson, N. J. has accepted a position as Vice-President of the Oregon institution.

According to E. C. Sammons President of the Portland Bank, Mr. Linden began his banking career in the early 20s in Astoria, Oregon. In 1924, after serving in the Portland office of the United States National Bank, he became an Assistant National Bank Examiner, later having been commissioned a National Bank Examiner. During the war, Mr. Linden served in the ground forces of the Army Air Corps; he was retired as a captain, after 16 months of actve duty. Returning to his work in eastern financial centers, he was elected President of the Second National Bank of Paterson, N. J., in January, 1945.

* * *

The directors of **Westminster Bank Ltd. of London** have declared an Interim Dividend of 9% for the half-year ended June 30, 1947 on the £4 Shares, and the maximum dividend of 6¼% on the Stock for the same period. The dividends (less Income Tax) will be payable on Aug. 1 to Shareholders and Stockholders whose names were registered in the Books of the Company on June 30.

* * *

The Court of Directors of **The Bank of Australasia** have decided that in future they will have a permanent Chairman and have appointed Geoffrey Cokayne Gibbs, C. M. G., to that office.

Regulated Wall Street to Stay: Schram

President of NYSE tells Junior Investment Brokers capitalist system is on firm basis and urges campaign to publicize its achievements.

Speaking before the recently organized Junior Investment Bankers and Brokers Association of New York in the Bankers Trust offices on July 22, Emil Schram, President of the New York Stock Exchange, asserted there was no danger that "Wall Street" would be wiped out. He argued that the investment business still affords opportunities for young men, despite the stringent restrictions that have been imposed on it during the last decade. Though claiming the securities industry was over-regulated, the SEC Acts of 1933 and 1934 "were the best that ever happened for Wall Street," since these Acts had self-regulation as a foundation. He expressed the belief, however, that some relaxation of "too strict" regulation was on its way.

Emil Schram

Mr. Schram outlined the developments in the investment business since the beginning of the New Deal, and pointed out that the number of individual stock and bond holders of American corporations was steadily increasing and this was leading to the need of more research and counsel on the part of customer brokers and analysts in the investment field and imposes a greater degree of responsibility on men in this line of work.

In the course of his remarks, Mr. Schram called attention to the need of more activity on the part of business generally in publicizing the achievements of the American capitalist system, which, he said, is going to survive and become stronger than ever. He urged that a campaign be carried on along these lines, and that the lethargy of business men in meeting leftist attacks be abandoned.

The meeting was the first general gathering of the Junior Investment Bankers and Brokers Association, and was presided over by its President, William Lofft of Smith, Barney & Co. The Association was organized last May and now has more than 150 members, representing 67 firms.

NYSE Issues First Quarterly Report

Condensed statement of income and expenses under new practice shows $20,693 net profit in three months ending June 30, compared with net loss of $85,797 in previous quarter.

On July 18, Emil Schram, President of the New York Stock Exchange, sent out to members the first quarterly statement of the income and expenses of the Exchange and its affiliated companies. The statement covers the three months ended June 30, and shows results of operations on a consolidated basis, with comparisons with the preceding quarter and with the first and second quarters of last year. The figures are given in the accompanying table but it is noted that the net profit and net loss shown for the 1947 periods do not reflect possible recoveries of prior years' Federal income taxes resulting from loss carry-back provisions, inasmuch as the amount of such recovery, if any, cannot be determined until results for the full year are known. Based on the net loss for the first six months of 1947, the possible recovery of prior years' taxes would be approximately $26,000.

NEW YORK STOCK EXCHANGE AND AFFILIATED COMPANIES
Condensed Comparative Statement of Income and Expenses

	—1947— 3 Mos. End. June 30	—1947— 3 Mos. End. Mar. 31	—1946— 3 Mos. End. June 30	—1946— 3 Mos. End. Mar. 31
Income:				
Membership dues	$257,812.50	$257,812.50	$257,355.65	$256,306.24
Other direct charges to members and member firms	856,676.25	959,564.63	1,098,198.14	1,309,360.89
Listing fees	465,598.45	238,411.26	659,200.83	403,031.66
All other income	250,710.65	246,982.12	200,348.07	205,114.00
	$1,830,797.85	$1,702,770.51	$2,215,102.69	$2,173,812.79
Expenses:				
Salaries and wages	$997,133.46	$1,000,161.12	$861,044.57	$815,902.29
Advertising	131,613.84	134,615.33	199,527.20	199,527.19
Taxes (excl. Federal income tax)	148,820.26	139,577.04	221,950.36	154,901.35
All other expense (other than depreciation and Fed. income tax)	397,832.99	379,280.82	280,388.51	293,585.53
	$1,675,400.55	$1,653,634.31	$1,562,910.64	$1,463,916.36
Excess of income over expenses, before deprec. and Federal income tax	$155,397.30	$49,136.20	$652,192.05	$709,896.43
Depreciation	—134,704.50	—134,933.35	—134,219.65	—134,824.41
Prov. for Federal income tax	*	*	—203,575.63	—231,568.33
Net profit (or loss)	$20,692.80	*$85,797.15	$309,396.77	$343,503.69

*Denotes loss.

Forced Training Worthless: Bates

(Continued from page 2)

must be in advance of all others in technological and scientific strength."

Dr. Bates pointed out that England had been forced to adopt conscription because in her poverty-stricken condition she has no other way of holding a disintegrating empire under some semblance of control. "Russia, too, it is said, must have conscription in order to keep every man and woman under the fear of the government. If we wish to construct an empire as the British did in past centuries or if we wish to go to the Russian type of society, then we had probably better force every American boy into the Army mold. Otherwise we shall be immensely more secure if we spend the two or three billion dollars a year which the Army wants for universal military training, in providing scientific, technical and mechanical education and training for some 200 to 400 thousand boys each year. These boys could be appointed by examination, subsidized through three to five years of such education and training and spend a year or more in actual Army service all for no more than UMT will cost. There would be the keenest competition for the privilege of such education and there would be no lack of numbers to fill our military requirements. Of course, this would not provide some 250 thousand easy, well-paid, permanent, peacetime jobs for Army officers as would UMT."

Int'l Chamber Urges Private Equity Investment Rather Than Government Foreign Loans

Philip D. Reed, Chairman of the U. S. Section, sends set of resolutions on world economic problems adopted at recent meeting in Switzerland to State Department. Holds private foreign investment increasingly urgent, and deplores hampering of unstable exchange relations.

Philip D. Reed, Chairman of the United States Associates of the International Chamber of Commerce and Chairman of the General Electric Co., has transmitted to the State Department the resolutions on world economic problems adopted by the Eleventh Congress of the International Chamber at Montreux, Switzerland, June 2-7.

Philip D. Reed

The resolutions relate to economic expansion and stability, monetary and fiscal policies, foreign investment, the restoration of the European economy, employment in a free society, state production and trading, the I.C.C. consultative status with the Economic and Social Council of the United Nations, the Proposed Charter for an International Trade Organization and other problems in the realm of international economic relations. They are the answer of world bus'ness to the dual economic question of today of what to do immediately to bolster production, trade and transport in the war-devastated nations, and how, over the long term, to foster a dynamic and expanding world economy.

Three hundred and fifty business leaders from 27 countries adopted these resolutions as a series of recommendations for the consideration of their respective governments and the Economic and Social Council as an integrated program to advance the economic recovery of a sick world. 47 men widely representative of American business and finance were in attendance from the United States.

The resolutions were characterized by agreement on the principle that no nation can achieve stability by purely domestic action or attempted economic isolationism except by drastically reducing the actual or potential standard of living of its people and by sacrificing their freedom. Economic stability for any nation can be considered in no local or static sense, for it requires "the overall growth of productivity, trade, investment and living standards throughout the whole world." It was further agreed that government action alone is insufficient to ensure economic growth and rising living standards, but that ample opportunity must be provided for individual initiative and incentive. As means toward this expanding world economy, the resolutions stress the need for cooperation among the individual nations through such bodies as the International Trade Organization, the Bretton Woods Institutions, the Economic and Social Council and other organizations of the United Nations which deal with world economic problems, without losing sight of the fact that economic cooperation implies some measure of political cooperation.

Exhaustive studies were made of the existing monetary situation with special emphasis on methods of alleviating the continuing inflationary pressures and recommendations for eventual stabilization through adherence to the Bretton Woods Institutions in combination with monetary reform and the encouragement of production. Recognizing that a major cause of inflation lies in the present goods and transport shortages, and that only increased trade and production will result in higher standards of living, the resolutions stress the fact that the monetary causes are far from negligible. As particular steps toward monetary stability the resolutions recommend: holding national debts at present levels and reducing them where possible by curtailed government spending; the gradual liquidation of government subsidies and controls; tax levels which will encourage production and investment, the natural enemies of inflation; and the fostering of a climate which will promote private international lending, for private loans are more flexible than governmental loans and represent savings rather than new money.

Private Investment Urgent

The need for private foreign investment is held to be increasingly urgent. The resolutions state, "Expansion is the keynote of government policy the world over. An expanding economy, cannot, however, be achieved without a continuous international flow of investment funds, not only from developed to under-developed countries, but from one developed country to another."

Since the war, international lending has been almost exclusively in the hands of governments. While this has been an important factor in the development of new areas and the reconstruction of war-devastated nations, government loans do not adequately satisfy international capital needs.

The resolutions point to this, saying, "they (government loans) are necessarily limited in scope and lack the flexibility of private capital movements. Private capital will venture into fields where no public body could enter, and by spreading itself through a multiplicity of channels over a wide area of enterprise is better adapted to the complex requirements of a modern world economy. Government loans, whether direct or through the medium of the International Bank for Reconstruction and Development, should therefore be considered as means of helping to establish conditions favorable to the resumption of the more normal type of private investment."

Private investment is now seriously hampered by unstable exchange relations, wartime commercial policies which interfere with exports from debtor countries and imports into creditor nations, restrictions on foreign payments by debtor countries discriminatory treatment against foreign investors, and the risks of nationalization. The resolutions suggest that "by placing investments on an ownership basis, either by equity investments or by what is called 'direct' business investment, instead of on a credit basis," the transfer phase of the investment problem would be considerably improved. It also suggests that a code of fair practice for foreign investment be adopted by the various governments under the auspices of the Economic and Social Council of the United Nations. As an interim measure, pending an effective code of this nature, the resolutions suggest treaty agreements and rules which will encourage international loans and investments in foreign establishments. Supplementary documents spelling out these rules and agreements have been prepared and made available to the national governments.

Marshall Plan Confirmed

The statement from the resolution on the particular needs of Europe, including a projected policy for reconstruction, was confirmed by Secretary of State Marshall in his speech containing the proposals now referred to as the "Marshall Plan." The resolution said, "however urgent the need, foreign lending should be done as part of a constructive scheme holding out the hope of real economic recovery on the basis of a financial stabilization. . . . Thus the most important thing is to get to grips with the problems of monetary and financial reconstruction in order to provide the basis for price stability, more production and better living conditions. As the individual nations formulate realistic programs for their reconstruction it will be possible on the basis of these programs to determine the justifiable needs for foreign loans and credits, the extent to which they can be met by existing agencies and the extent to which supplementary measures may be required."

The International Chamber resolutions deal realistically with the problem of state production and trading. While feeling that the social obligations of security and a rising standard of living can be discharged more effectively by private enterprise working within the framework of public policy, the I.C.C. realizes that state production and trading are very real factors in the international economic relations of today. Where the state deems it necessary to take over branches of industry in part or whole, the resolutions urge that it hold to proved principles of commercial operation. In this regard, state enterprise should apply accepted accounting standards, should not receive special privileges or subsidies, should maintain a realistic promotion and remuneration system, and should price its products on a basis similar to that practiced by a well-conducted private concern.

The resolutions give special consideration to the maintenance of high employment, holding that it is not the task of a single segment of society or of government alone, but a mutual responsibility resting equally on business, agriculture, labor and government. Broad principles which each of these groups should follow to moderate the business cycle and stabilize employment are put forward in this document as a basis for action rather than further discussion.

The body of resolutions considered many individual phases of the international economic picture, recommending that high priority be given to the reconstruction of transport and communications and that these be returned to the hands of commercial interests, where possible, for more rapid development. Special consideration was given to the individual services such as: highway transport, rail and air transport, and international telegraph and postal services with specific recommendations for the improvement of each. It further urged the simplification of those customs and consular formalities which form a barrier to the passage of goods and persons across international boundaries.

The remaining resolutions dealt with many other international economic problems, such as: double taxation, advertising and distribution, protection of patents and trade marks, arbitration, and shipping. It was recognized that the part of business is to "pursue a policy of vigorous enterprise in expanding production to serve human wants and aspirations."

No Oil Shortage Ahead!

By A. J. McINTOSH

Economist, Socony-Vacuum Oil Company, Inc.

Leading oil economist cites greater-than-expected increase in crude production, and in imports, as forestalling shortages in East. Expresses less confidence in outlook for Mid-West.

Fears of a severe shortage of petroleum products in the East this winter were allayed today by an oil company economist who warned, however, that very cold weather, economic or military conditions might change the picture.

Albert J. McIntosh

A. J. McIntosh of the Socony-Vacuum Oil Co., Inc., speaking at a luncheon meeting of the New York Society of Security Analysts in Schwartz's Restaurant, 54 Broad Street, New York, based his optimism on intensive efforts by the petroleum industry in recent months to avert possible impending shortages.

Increase in Crude Production

The most important contributing factor to the improved prospects this winter, he said, was an increase in crude oil production from 4,800,000 barrels daily in the first quarter of this year to 5,100,000 barrels daily at present, compared with an anticipated increase of only 170,000 barrels daily.

Other contributing factors include the placing in service of additional tankers, help in obtaining needed steel for additional pressure tank cars, and the fact that uneconomically higher costs were borne by some segments of the industry in transporting petroleum products.

"When the petroleum industry foresaw the impending shortages in the early part of this year," Mr. McIntosh continued, "it began intensive studies and efforts to alleviate this condition by as fast and as feasible methods as seemed possible."

Contributing also to the improved supply picture, according to the Socony-Vacuum expert, was an increase of 20,000 barrels daily over expectations in crude oil imports and in the production of natural gasoline.

At the start of the campaign to forestall any shortages in such vital products as fuel oil and kerosene, doubts existed as to the ability of the petroleum industry to absorb and process today's high crude production, Mr. McIntosh said, whereas current estimates now indicate that the industry might be able to handle still more crude oil up to about 5,300,000 barrels daily.

He pointed out that the industry processed 5,229,000 barrels daily during the week of July 11, a period in which several refineries were closed down completely by work stoppages. These stoppages have since been remedied.

Mid-West's Outlook Less Favorable

Mr. McIntosh exempted the Mid-West specifically from the optimistic picture he drew of this winter's prospects for fuel oil and other kerosene products. A limiting factor there, he said, is the shortage of adequate facilities for transportation of petroleum products, specifically pipelines. "Any shortages that occur in that region, however," he continued, "undoubtedly will be spotty and of brief duration."

Weather can change the general supply picture for the East, according to Mr. McIntosh, in that severe cold will increase consumption of fuel oil and kerosene to the point that supplies might be strained. Similarly, breakdowns in the flow of coal can result in an increased burden on available supplies of petroleum fuels. Changes in world political conditions might also result in increased consumption and stockpiling of petroleum products by the armed forces.

The Socony-Vacuum economist paid special tribute in averting a shortage in the East of petroleum products this winter to the Economics Advisory Committee of the Interstate Oil Compact Commission, comprising representatives of the leading oil companies in the country.

This group, by its estimates of future demands, spurred the drive for increased production throughout the industry. The accuracy of its estimates, according to Mr. McIntosh, is indicated by the fact that it predicted a demand for 4,675,000 barrels daily of the four major petroleum products in the second quarter of this year, whereas the actual figure is probably 4,718,000, a difference of less than 1%. The third quarter demands, he added, will be slightly lower, rising again in the fourth quarter. These estimates are based, however, on only normal expansion of home-heating installations.

Aetna Insurance Stock Offering Completed

Aetna Insurance Co. announced July 22 that a total of 241,135 shares of its capital stock have been subscribed out of the 250,000 new shares offered by it to stockholders of $40 per share at the rate of one new share for each three shares held. The balance of 8,865 shares is being purchased by an investment banking group, headed by Dillon, Read & Co., Inc., and W. C. Langley & Co., which underwrote the offering to stockholders expiring on July 21.

One of the oldest insurance companies in the United States, Aetna Insurance Co. was specially chartered by the General Assembly of the State of Connecticut in 1819. The company and its insurance subsidiaries comprise the Aetna Insurance Group, consisting of a fire division and a casualty division, operating in all the States and territories of the United States and in Canada.

The company's consolidated income statement shows total net premiums written amounting to $79,040,000 for calendar year 1946 and $32,094,000 for the four months ended April 3, 1947. Capital, surplus and voluntary reserves on a consolidated basis aggregated approximately $36,000,000 at April 30, 1947, after giving effect to the financing. As of April 30, 1947, U. S. Government obligations and cash aggregated $81,285 out of a total of $107,506,206 of security investments and cash.

With Paine, Webber

Special to THE FINANCIAL CHRONICLE

PASADENA, CALIF. — Gerald Medsger has become associated with Paine, Webber, Jackson & Curtis. Mr. Medsger was formerly Resident Manager for Dean Witter & Co.

As We See It

(Continued from first page)

are haunted by fear that an economy-minded American Congress will decline to provide the funds wherewith to implement the findings, whatever they finally prove to be, of the conference now at work in the French capital. Such a consummation would, so they add, inevitably result in many countries "straying off into the Russian or Communist orbit." Many others, not in positions of authority across the Atlantic, appear to acquiesce in this foreboding. Yet no one has taken the trouble to explain how anything of importance is to be gained by turning to a country whose record is full of exploitation and tyranny, but void of generosity or helpfulness, and whose economy is itself strained to the breaking point.

Here at home, business activity is very high, production is at or near all-time peaks (or as near to them as it appears possible for us to get under existing conditions), jobs are seeking men—or certainly would be if men were willing to work at any reasonable rate of pay —and the time is still far off, apparently, when the buyer can be certain of obtaining what he wants either for spot delivery or for delivery in the reasonably near future. Prices are high, and, predictions to the contrary notwithstanding, show little tendency to decline. Without any question, large unsatisfied domestic demand exists for many types of goods—provided they can be obtained in good quality at reasonable prices. The oft-predicted "recession" has failed to materialize, and the prognosticators, who should be embarrassed into silence, are now explaining away their forecasts or postponing the time of the "bust."

Yet how often still is heard the old cry that foreign buying must soon drastically decline, causing a collapse in our economy, unless we give our foreign customers the wherewithal to buy our goods! The argument has, of course, given Russia the opportunity to say with considerable show of plausibility that our interest in the economic restoration of Europe is, in substantial part, an outgrowth of desire on our part to prevent or postpone the inevitable collapse of our capitalistic economy.

"Mistakes"

Plenty is still heard of the "mistakes" of the years following World War I—among them being, of course, the reckless speculation in foreign obligations. Yet, according to some of these same commentators, our economy in the years ahead can be sustained only by a repetition upon a much grander scale of the same policies and programs. The process this time is, of course, according to these observers, to be somehow sanctified by virtue of the fact that government rather than private investors is to be creditor!

Of course, certain basic tenets—or should we say inconsistencies? — in the accepted current doctrines about international lending and international finance in general necessarily confine foreign financing largely to to government, which moves either in ignorance or in response to political rather than economic considerations. Not very much acumen is required to perceive that, throughout a great deal of the current discussions in official circles around the world, there runs like a scarlet thread the thought that foreign debtors will not and, indeed, ought not to be expected to inconvenience themselves to meet their obligations to peoples abroad. Indeed, in effect it has often been said by influential leaders in recent years that it would be better for both borrower and lender to wipe the slate clean whenever the debtor finds his burdens uncomfortable or requiring any extraordinary effort or any substantial sacrifice.

In fine, it would hardly be going too far to say that there is abroad a sort of implicit understanding that foreign debtors are to meet their obligations if it is convenient for them to do so, but not otherwise.

If these appear rather extreme statements let the reader re-examine the terms of the agreement under which the International Fund was created. Let him ask himself what many of these provisions really mean, if they do not in advance grant debtor countries the right to repudiate their undertakings if these latter seem to the debtor to be inconsistent with his plans for his future welfare. Let the reader re-study some of the many statements that the British Government has of late months been making about "scaling down" debts it incurred during the war—not the mere proposals for reduction, since it may well be that Britain is unable to meet all these obligations, but the apparent implicit assumptions upon which the statements about the matter rest.

New Excuses

After the last World War, the nations which had emerged heavily in debt to the United States—or many of them at any rate—used the argument, made popular by Britain, that while these obligations were technically in order they really, in a much broader and more basically true sense, were not obligations at all, but pieces of paper representing the cost of our participation, through our allies, in a war which was as much a battle to save our existence as it was a conflict to save their hides. President Roosevelt, so far as the second World War was concerned, appeared to accept this doctrine in advance, and set up the Lend-Lease arrangements, which obviated for the most part a repetition of the earlier Inter-Allied debt controversy.

But meanwhile those countries which received such generous support from us during actual hostilities—and since, for that matter—and which now are large claimants for further help have found other grounds for possible repudiation —or at all events for making the loans without regard for the danger of later repudiation. Their reasoning in part is about as follows: The United States must supply us with funds and goods to prevent the present boom from promptly entering the bust stage. It must later be very wary of demanding payment, for that might interfere with our planned prosperity, which in turn would precipitate a bust all over the world. It is, unfortunately, never too difficult to convince ourselves of that which we wish to believe.

The times are out of joint! Indeed,
". . . we are here as on a darkling plain
Swept with confused alarms of struggle and flight,
Where ignorant armies clash by night."

A Program of Stabilized Abundance

(Continued from page 7)

facturers' orders, output, and employment will fall.

During 1946 retailers repaired, improved and expanded their facilities considerably. Many new stores were built. But this investment in retail plant seems to be tapering off substantially now. Much of the wartime backlog has been worked off. Equally important, retailers who would still like to expand are discouraged by high construction costs.

Like everyone else, retailers have experienced higher operation costs. But we have also enjoyed the unique experience of operating close to full physical capacity. Thus, despite higher costs, our unit operating costs have held low. This enabled retailers to enjoy exceedingly favorable profits during 1946.

If volume holds up, profits in 1947 should be good, though well below 1946. Retailers have been trimming their margins by passing along part of the fruits of high volume to consumers. There is room for more of this if retailers can have confidence that their volume will hold up and their costs not continue to climb.

But retailers today are deeply concerned over the price situation and the dangers inherent in it. They are meeting at one time increased consumer resistance to high prices and resistance from manufacturers to lower prices. The "squeeze" is largely on the retailer. He would like to share it with his suppliers. Recent margin cuts by retailers have been an important factor in holding up sales volume. But retailers badly need help from manufacturers in extending such cuts.

The General Economic Situation

The prosperity of retailing in the past year reflects the unprecedented prosperity of the whole nation. The difficulties of reconversion, despite all the noise and gripes, have been overcome much faster than most informed observers dared hope.

As a nation, we are producing nearly 2½ times as much (measured in current dollars) as in the good prewar year 1939. We are producing nearly four times as much as in the low depression year 1933. About half of this increase since 1939 reflects higher prices. But the other half reflects greater production.

Physical output of American manufacturing and mining industries is running 80% above 1939.

Civilian employment is at an all-time peak, above 58 million. Unemployment is down to two million, virtually a bedrock minimum for a flexible economy.

Stop—Look—and Listen

These are the statistics of prosperity. These are grounds for self-congratulation. But danger lurks in this prosperity. There is danger of complacence. Signs of it are all around us.

We must not delude ourselves. There is nothing "normal" about the prosperity we have been enjoying. It is propped up in no small measure by temporary stilts. Our central economic problem is to replace those temporary stilts with enduring cornerstones.

One of the temporary stilts, the one which helped retailers to prosper, has been the huge wartime back-log of consumer demand.

This backlog demand has been supported by an unprecedented supply of "liquid assets" in consumer hands, the result of high wartime savings. It has also been supported by an unprecedented expansion of consumer credit. Such credit has increased by $4½ billion since the beginning of 1946. Despite government restrictions, consumer credit today is more than 10% greater than the previous peak in 1941.

Consumer expenditures from war savings and on the basis of credit are "one-shot affairs." When the savings are gone or when credit expansion slows down, as it must at some point, we must rely upon expenditures from current incomes of people to support a high level of retail sales.

Another important fact is that recent high retail sales have leaned heavily upon a sharply declining rate of national savings. In 1944 savings were running at the unusually high wartime rate of 20% of people's incomes. Since then, savings have declined sharply and are only about half as high, percentagewise, today.

People have spent more and saved less of their incomes. This helped retail sales. But the savings rate cannot decline indefinitely. This is another temporary prop which must give way.

In brief, people's incomes must be high enough and prices must be low enough to enable retail customers to purchase the full output of consumer goods which American industry is capable of producing. If incomes are too low or prices are too high, these goods will back up and choke the pipelines of prosperity.

Here is what we need. As individual consumers work off their pent-up war demands, as they draw down their war savings, we must have a more favorable balance between current incomes and consumer prices. Prices must be low enough that people, with a normal savings rate, can buy all the goods we can produce.

But recent events have been moving in the opposite direction. The price spree of the last 12 months has meant that most people's incomes have not kept pace with prices. So their real incomes (the value of their money incomes measured in goods and services) have declined.

In the face of rising prices, retail sales have been bolstered only because people cut down on current savings and spent out of their war savings. Prosperity built on such props as these cannot endure. Incomes and prices must be brought into better balance.

Another temporary still under our general economic prosperity has been the heavy back-log of business demands. Since VJ-Day business has invested billions in rebuilding inventories. But this is another "one-shot affair." The rate of inventory accumulation has declined sharply in recent months. The pipelines are filling up. We must find a more permanent substitute for these heavy business expenditures on inventories.

Business, likewise, has been working off a heavy back-log of repairs, maintenance and expansion plans. This back-log by now has been well eaten into. High constructions costs are discouraging many businessmen from completing the job. We cannot sustain prosperity forever on this diminishing back-log. It must be replaced by a high, steady rate of fresh business expenditures on new capacity. This calls for an expanding peacetime economy.

Still another temporary prop has been our fabulous excess of exports over imports. This so-called "favorable" balance of trade has resulted largely from our financial aid to crippled nations. The need still exists. But, obviously, it will not go on forever. Eventually, we must adjust our imports to our exports. And then we must find an enduring substitute for the expenditures represented by our excess of exports.

In brief, we can be thankful for our recent economic prosperity, but we shouldn't be misled by it. We should recognize that it has resulted in part from temporary stimulants. This does not comprise an alarmist's forecast of sharp recession. Most of these stimulants are still at work but they are diminishing. Now is the time to develop more permanent foundations for lasting prosperity.

Defining Our Economic Goal

Everyone seems agreed that "steady high production" is a major goal for our nation. But that goal needs more specific definition.

I suggest that for the immediate future we take something like the following set of bench-

marks as a measure of satisfactory national economic performance. Obviously, these benchmarks must be raised progressively as we grow.

(1) A national income of $185 billion.

(2) Civilian employment of 58,-000,000.

(3) Unemployment no higher than 3,000,000.

(4) A consumer price level of about 140 (BLS Index).

(This compares with 156 at present, 133 for last June, and an average of 100 for 1936-39.)

(5) Industrial production over 200 (FRB Index).

(This compares with 186 in May, 1947, 160 in January, 1946, 239 average for the peak war production year of 1943, and an average of 100 in 1935-39.)

These are the benchmarks of a healthy economy in the immediate future. We must not deviate far from them.

A Proposed Program for Economic Stability

Having defined our goal, we must somehow arrive at basic agreement on the methods for getting there.

Obviously, no one has all the answers. This calls for intelligent, vigorous and constructive debate in Congress, in the Executive Branch, throughout the Nation. We must make a beginning in this vast enterprise, and we must make it fast.

In mapping a program, we must keep certain guides in mind. High and increasing consumer expenditures must be based upon high and increasing consumer real incomes. This, in turn, requires high and increasing business investment expenditures.

It requires also increasing productivity and a proper sharing of such gains between higher wages, higher profits and lower prices. It depends, too, on a sound flow of international trade. All groups in the Nation must prosper if any group is to prosper.

Taxes and Credit Controls

Among the most potent economic tools of peacetime are those which the economists call "monetary and fiscal." They include such items as taxes, government financing methods, the public debt and banking controls.

Properly handled, these tools obviously can contribute to a healthy economy. If abused, they can injure economic activity. We should pay less attention to taxation as a mere money gathering device for paying government expenses, and give more attention to its economic effects on any program for achieving and maintaining full production.

It seems well agreed that our national tax structure is badly in need of overhauling. Any revisions should meet the test of encouraging rather than discouraging a full flow of consumer purchasing power and expenditures. Similarly, any revisions should encourage rather than discourage business investment expenditures.

By these tests the progressive system of income taxation now used by the Federal Government is relatively sound today. It is flexible, and the total tax yield grows more than proportionately as national income rises. In the end all taxes fall on individuals anyway. When they are imposed as a result of a deliberate plan they fall more equitably than when the plan is haphazard.

The income tax is the business tax to most retailers, since, according to the 1939 census, 85% of the retail stores of the country are operated by independent proprietors or partnerships. Too high rates on income taxation, or too steep progressions tend to discourage business initiative among this group because the most successful businessmen cannot undertake new venture without giving the bulk of its proceeds in taxes to the government.

But by these same tests our Federal excise taxes siphon away purchasing power from the millions of families least able to afford it—and the families who comprise the mass of customers in our economy. Excise taxes had a proper role in an inflationary war economy. But they have no place in a sound peacetime stabilization program.

Our present system of excise taxes is selective. Aside from such traditional items as alcohol and tobacco, most of the commodities now subject to excise taxes were selected with the idea of raising as much revenue as possible, and with little regard to the effect the tax would have on the commodity.

Probably all of the present excise tax rates were imposed under the same theory, which while highly proper in wartime, should not be tolerated in peacetime. The result is that taxed commodities must compete with untaxed commodities for the consumer's dollar. While retailers take the long-run view that excise taxes are taxes on expenditures which cannot be anticipated or controlled they must admit that for the present revenue conditions are such that some revenue must be raised from this form of taxation. During this period, they feel that excise taxes, collected at lower rates on broad classifications of merchandise will produce more revenue than higher rates on selected items. But while admitting the present need they do not depart from their traditional opposition to this form of taxation.

Likewise, our Federal corporation tax structure requires revision to insure adequate incentive for corporate business investment. In general, more emphasis should be placed upon taxing corporate business earnings when they become individual incomes of the ultimate recipients, and not as earnings in the hands of the corporation.

Corporate earnings are now taxed twice, once as corporate earnings and again when they are distributed to the stockholders in the form of dividends.

The timing as well as the character of changes in our Federal tax structure is important. This influences not only the flow of consumer expenditures but also the question of national debt retirement. Our complaints and fears about the tremendous national debt are too readily overcome by our natural desire for lower taxes.

Tax revision, therefore, must be examined carefully as to its effects on the economy. Where it will serve as a business stimulant, and so in the long run produce more revenue, it is more than justified, even in the face of the amount of national debt to be retired.

And let's not fool ourselves on one major point.

If our economy slides into substantial recession, we would, and should, pursue a policy of deficit financing. We should prepare early against that contingency, both by reducing government debt and expenditures now, and by preparing a shelf of well-conceived projects for government expenditure if and when the necessity arises. We should not allow prejudices to blind us in this matter.

In order to be ready for this, and to bring tax rates down to their proper level, all Federal spending should be carefully examined. Added efficiency in government operations will, of itself, help to reduce the amounts of revenue needed to conduct government, and no government spending, whether from current revenues or from borrowed money, should be done on make-work projects with no long-run economic effects.

Expansions and contractions of credit often have marked effects on the economy. I am not talking now about Regulation W. It now has only limited application.

However, since the behavior of the entire economy often hinges on the question of credit no one is likely to take issue with the idea that the whole subject merits careful reexamination in the next year or two.

Prices

Our economy is now largely adjusted to a price structure substantially above the prewar level. It seems likely that only a severe depression would bring prices back to 1939 levels. We should adjust our thinking to that fact.

Consumers particularly should not expect the impossible in retail stores. They have every right to expect reductions in the prices of many goods. But they are deluding themselves to expect prewar prices. They would lose out if their incomes were readjusted to such a price level.

I do not mean to imply that prices should stay at their present inflated levels, they definitely should not.

We have been on a price spree in this Nation during the past 12 months. And we may well wake up with a painful hangover. Consumer prices are up 18% from last May. Wholesale prices are up 32%.

The relative stability of retail and wholesale price index figures for the past four months has been encouraging. The situation would be more encouraging if we did not realize that the price level is full of price distortions. The uninformed should be made aware that the total index figure may maintain a stability that becomes freakish when the components are examined.

It is probable that we are near or past the peak of prices. A month ago I would have said so without reservations. I would be more wary just now with grain prices acting up and meats already showing marked upward activity as a result.

The maladjustments in the price level are nearly all on the high side. Indeed, I know of none on the low. They are the hangovers of war and probably will disappear only when supply is ample to all needs.

A heavy responsibility rests upon American business to make voluntary price cuts on many items. Labor must help by being moderate in its wage demands and by helping to increase productivity. Farmers must help with all-out production.

Your committee can perform an important service by lending its great prestige publicly to the proposition that price reductions are needed to keep goods from piling up on shelves and to keep industrial activity from bogging down.

Your committee possesses the potent instrument of moral suasion which might be used effectively in breaking the price logjam at strategic points. As retailers we urge you to use your full strength.

I think it fair to say that retailers have gone further than most groups in trimming their margins and by passing along price reductions from their suppliers. This attitude is being reflected in current profit statements. The first quarter statements which I have seen all reflect some loss over the first quarter of last year. In many cases, profit rates are as low as one-half what they were last year.

Retailers need a lot more help from manufacturers in getting prices down if we are to avoid clogging the pipelines of prosperity.

On this matter of prices, let us not forget that the government possesses another important tool which we haven't seen enough of lately. I refer to the anti-trust laws. Some of my friends in business, and I might say in Congress, have come to regard the anti-trust laws as a pernicious form of government intervention.

They forget that the anti-trust laws express the most vital tenet of a free enterprise system. These laws guarantee the freedom to compete. They stand against monopolistic strangulation of free business. They militate against collusion in pricing, the throttling of expansion and free entry, and curtailment of output.

The Department of Justice, with the full backing of Congress, should ferret out those instances where output is being cut to prop up high monopolistic prices. Restrictions self-imposed by business are just as deadly to our economic system as restrictive policies by government.

Wages

The wage increases of the past year, to the extent that they were unaccompanied by price increases, raised the real purchasing power of the workers and salary earners receiving them.

But most workers in the past 12 months have lost out in the race between wages and the cost of living. Between last May and this May, average weekly take-home pay in all manufacturing industries rose from $42.51 to $47.86, or less than 13%. In the same period the worker's cost of living rose 18%. These figures spell a cut in real income. Most non-manufacturing workers fared much worse. From the retailer's viewpoint, that's not good business.

In some areas there may well be room for further moderate wage increases which can be absorbed out of high profits or increasing productivity and not reflected in price increases. But certainly there is far less room than there was this past year. Another round of large wage increases this fall and winter would very likely preclude the kind of downward price adjustments which the good health of our economy demands.

We must not forget the central lesson of our nation's economic history. For decades wages and profits rose while prices declined. This was made possible by progressive increases in productivity. Management and labor must work effectively together to get back on the track of rising productivity. Business in the years ahead must follow the sound and tested policy of dividing the fruits of increased productivity equitably. Production progress should be shared with workers in higher wages, with management in higher profits, and with consumers in lower prices.

We must not overlook, however, the serious present plight of those groups whose income has lagged far behind the rising cost of living. Their situation is not merely one of injustice. Their plight is a serious threat to the nation's economic health and future.

I refer to the recipients of pensions, to the employees in our lowest paid industries, to those white collar workers who have been by-passed in the wage increases of recent years and to those employed in government. The cut in real income suffered by many of these people since before the war has been ruthless.

There should be prompt inquiry into the equity of these standards. The fullest possible information should be made available to the public covering not only wages in public service, but the impact of inflation on those who draw benefits. It should be obvious that where groups exist that have not had some form of income increases during the war, the pressures must be intolerable.

And our government should refurbish the real incomes of its own employees. We all complain about the apparent inability of government to attract enough competent personnel. With a wage and salary policy that would drive a private business into bankruptcy, how can we expect great efficiency from government?

We talk in pious words and with knit brow about America's fine educational system, about education being the fountainhead of democracy. But we are tearing the quality out of our educational system with a blind and stupid wage policy. Underpaid teachers, underpaid policemen and firemen, underpaid public servants generally, cannot give us the efficiency in government we need. And they don't make good customers for American industry, either.

Halsey Stuart Offers Ark. Pow. & Lt. Bonds

Halsey, Stuart & Co., Inc., and associates offered to the public July 23 an issue of $11,000,000 Arkansas Power & Light Co. first mortgage bonds, 2⅞% series, due July 1, 1977, at 101.80% and accrued interest. The group was awarded the bonds at competitive sale on a bid of 101.009.

The bonds are redeemable at prices scaled from 104.80% to par and also at special prices ranging from 101.93% to par, plus accrued interest in both cases.

Of the net proceeds, approximately $7,000,000 will be added to the company's general cash funds on the basis of unfunded property additions and the corporate trustee will retain approximately $4,000,000 in trust, pending withdrawal by the company under the terms of the mortgage and deed of trust dated as of Oct. 1, 1944, as supplemented. A part of the net proceeds will be used to repay $2,750,000 in short-term bank loans and a part will be used to reimburse the company's treasury, in part, for funds already used for the acquisition of property or the construction, extension or improvement of its facilities in connection with its construction program. The balance of the funds will be used for the construction of new facilities and the extension and improvement of present facilities, and for other corporate purposes.

Following the financing, the company's outstanding capitalization will comprise $30,000,000 first mortgage bonds 3⅛% series, due 1974; the $11,000,000 in new bonds; $14,784 in certificates of indebtedness; $5,000,000 in 2% serial notes, due 1951 to 1956; 47,609 shares of $7 preferred stock, cumulative, no par value; 45,891 shares of $6 preferred, cumulative, no par value, and 1,460,000 shares of common stock, $12.50 par value.

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*T. Geoffrey Horsfield of Wm. J. Mericka & Co.

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PASADENA, CALIF. — Gladys M. Fisher has become connected with Capital Securities Co., 2038 Broadway, Oakland, Calif.

The Capital Structure of Electric Utilities

(Continued from first page)

being called on to expand. This most unusual growth is national in character and is taking place in every part of the country, although it is more pronounced in some localities than in others. Whether we realize it or not, this is the most significant and important development of the industry for many years. To a great extent the future health of the industry depends upon how successfully these problems are met. The responsibilities that come with this growth are common to all of the industry and to all of us who deal with electric utilities in a regulatory capacity.

Prospective Growth of Electric Utilities

Let us look at some figures which forecast what we will have to deal with in the four or five years which are directly ahead of us. Maybe they will help us comprehend the size of our problem.

At the end of 1946, the private electric utilities had approximately 40 million kilowatts of generating capacity. According to the Edison Electric Institute, the industry expects to add approximately 2,200,000 kilowatts of capacity in 1947, approximately 3,450,000 in 1948, approximately 3,700,000 in 1949, and 1,550,000 in 1950—a four-year total of about 11 million kilowatts. I have heard responsible estimates that, within the next five years, the electric utilities will increase generating capacity by an amount ranging from 12,800,000 to approximately 16 million kilowatts. Already, the total of unfilled orders of the companies is said to amount to 12,200,000 kilowatts, or about 30% of present generating capacity.

The magnitude of this program is perhaps best appreciated by contrasting it with increases in generating capacity made during prior years. Chart I indicates the substantial margin by which projected additions surpass the most active periods of expansion during the past 15 years.

Translated into dollars, the program is, of course, of an even more unprecedented nature; in part because unit costs are going up through the roof—turbine costs being estimated to be up about 40% and over-all plant construction costs about 33%. For the year 1947, capital expenditures of the electric utilities have been estimated at from $1 billion to $1.3 billion. Expenditures of similar or greater magnitude are anticipated in the next three or four years. The Edison Electric Institute currently estimates that the total cost of the construction program through 1951 will aggregate $5 billion and that average annual expenditures of about $1 billion will be required over this period. The previous high in construction expenditures for the electric utility industry was in 1930, when approximately $919 million was spent; and we may compare the estimates for 1947 with the depression low in 1933 of $129 million and with the average capital expenditure of $451 million for the period 1936 through 1940.

Of course, in these national average figures are buried the below-average and the above-average growth company. Some of the projected construction programs far exceed the national average. Florida Power & Light Company, for example, with a gross utility plant of approximately $115 million, plans construction expenditures for the next five years of approximately $85 million, or nearly 75% of its present plant.

The industry's construction program does not appear to be built on roseate Mississippi bubble dreams, but is the response to equally unprecedented demands for power. The war resulted in the development of many new industrial uses of electric power; these apparently are now being exploited and, in general, the electrification of industry appears to be going on at an accelerated pace. The national average residential use of electric power has doubled in the past 12 years, and shows no signs of stopping. But despite all of this rationalization, the increase in demand seems almost to defy explanation. Veteran utility men have told me that it has so far exceeded any of their predictions that they are somewhat baffled and bewildered.

How much more the demand will increase is a matter of conjecture. The development of the famed "heat pump" for domestic heating and air conditioning could accelerate the growth substantially.

According to the Federal Power Commission, electric utility production for the month of May, 1947 was 16.9% greater than for the month of May, 1946. Present peak loads are running an average of 15.4% in excess of last year. Such peak loads are 50% in excess of the 1940 figures and exceed the wartime high by 13%. The problem now is whether the electric utility industry can expand sufficiently and quickly enough to meet domestic, commercial, and industrial demands. Possible power shortages in various parts of the country during the coming year may be a reality. Indeed, they may already be here. Reduction of voltage has already been resorted to from time to time by many systems and more of that is in prospect. Load shedding may yet occur in some critical areas. It has been estimated that the average margin throughout the country between capacity and peak load is only about 6%. Obviously, this is dangerously low. Industry power pool committees, the existence of which was permitted to lapse after the war, have been revived in many areas and it is said that the more progressive elements in the industry are in a state of alertness comparable almost to that which existed during the war. Power shortages are, of course, world-wide and much more acute in other countries, particularly those that were ravaged by war. But even this rich and industrially powerful country may experience them.

Pattern of Growth

Speaking generally, the electric utility industry appears to be following a somewhat different pattern of growth from non-utility industries. In 1946 expenditures by non-utility industries for plant, equipment, and inventories were of unprecedented volume. Industrial plant and equipment expenditures for 1946 were 83% above the total for 1945 and 37% above the prewar peak in 1929. The aggregate of such expenditures by non-utility industries, as estimated by the SEC and the Department of Commerce, was approximately $11 billion. They are continuing at a high level this year, particularly during the second and third quarters.

Conversely, the total of such expenditures of public utility companies increased only moderately until the last part of 1946. Immediately after VE-Day, in June 1945, the electric utility industry's planned outlays for gross additions to utility plant during the next 12 months period was only $529 million—just about equal to the rate of expenditures for 1941 and 1942. The phenomenal load increase which was to occur in 1946 was almost entirely unanticipated. The plans of the electric utility industry as a whole for 1946 included but 1,462,311 kilowatts of new capacity, but, apparently owing primarily to delays in the manufacture of almost all the categories of materials, only 361,172 kilowatts were installed, of which 302,172 kilowatts were installed by the private utilities. Moreover, because of necessary retirements of equipment, only 200,000 kilowatts appear as a net increase to load-carrying ability, according to the Edison Electric Institute. Not since the valley years of the Thirties was expansion so slight in the electric utility industry as in 1946. Thus, the great bulk of the expansion lies ahead.

Unlike the electric utility industry, however, some industrial companies report that a substantial proportion of their postwar construction programs are now nearing completion and it appears that the programs of others are being postponed because of high costs. The steel industry, always considered as an economic bellwether, has elected to stand pat on its 91,000,000 net ton present annual capacity, claiming that such capacity is adequate to meet potential demand and predicting overcapacity in the postwar years as it refuses to expand to meet current steel shortages.

In the electric utility industry however (as well as in other utilities such as telephone), expenditures, as we have observed, are expected to increase considerably in 1947 and to continue to increase for some time to come. Thus, we can see that electric utility expansion is not only of major importance to its investors and consumers, but seems destined to be an important factor in our economy in the next five years.

Financing Construction Programs

This is the situation facing the electric utilities, looking at it from the asset side of the balance sheet. Looking at it from the liability side, we come to the questions: "What will be the corresponding entries to the increase in assets promised by the construction program?" "How will this construction program be financed?" This is extremely important because the methods of this financing will undoubtedly determine the health and welfare of the electric utility industry for many years to come.

From a financing standpoint, the electric utility industry, as one might expect from the construction figures, is confronted with a situation substantially different from that which it has faced for many years. It appears that, for the ten-year period 1932-1941, only approximately 18% of the gross capital expenditures of the utility industry was raised from the issuance of securities. The rest came from cash in the till. During the war new capital issues totaled only about 15% of the increase of the value of plant and equipment over the same period. During 1946 the volume of new capital issues to reach the market was the heaviest since 1931. The total of $172,846,000 was, however, only slightly more than half the aggregate charges to depreciation during the year. We can expect the proportions to change sharply in the next four or five years since the industry will be required to rely on outside financing to a substantially greater extent than has been its experience in the past 15 years. There simply won't be enough cash in the till to pay for the construction costs.

A study of the composite income statement for 1946 of class A and class B electric utilities, prepared by the Federal Power Commission, indicates that the total of net additions to earned surplus (after preferred and common dividends) and non-cash charges and reservations amounted to somewhat in excess of $500 million during that year. Assuming that this amount represents resources available for construction and that comparable amounts will be available for that purpose in 1947, we can further assume that the industry, with an estimated program for this year of at least $1 billion, may require new funds in 1947 to the extent of approximately one-half billion dollars. Funds derived from internal sources, on these assumptions, would produce only approximately 50% of the total construction program for 1947. These are, of course, very rough calculations. Projections of a similar nature made for the next four or five years would also indicate that a very substantial proportion of the construction for these years will also have to be financed through outside sources. So it seems that a greatly increased percentage of this tremendously increased program must be financed by bringing "new money" into the industry.

Regulating Utility Financing

Now, I would like to digress for a moment and recall some history, the lessons of which, I believe, throw light on the regulatory problems involved in the financing of this construction program.

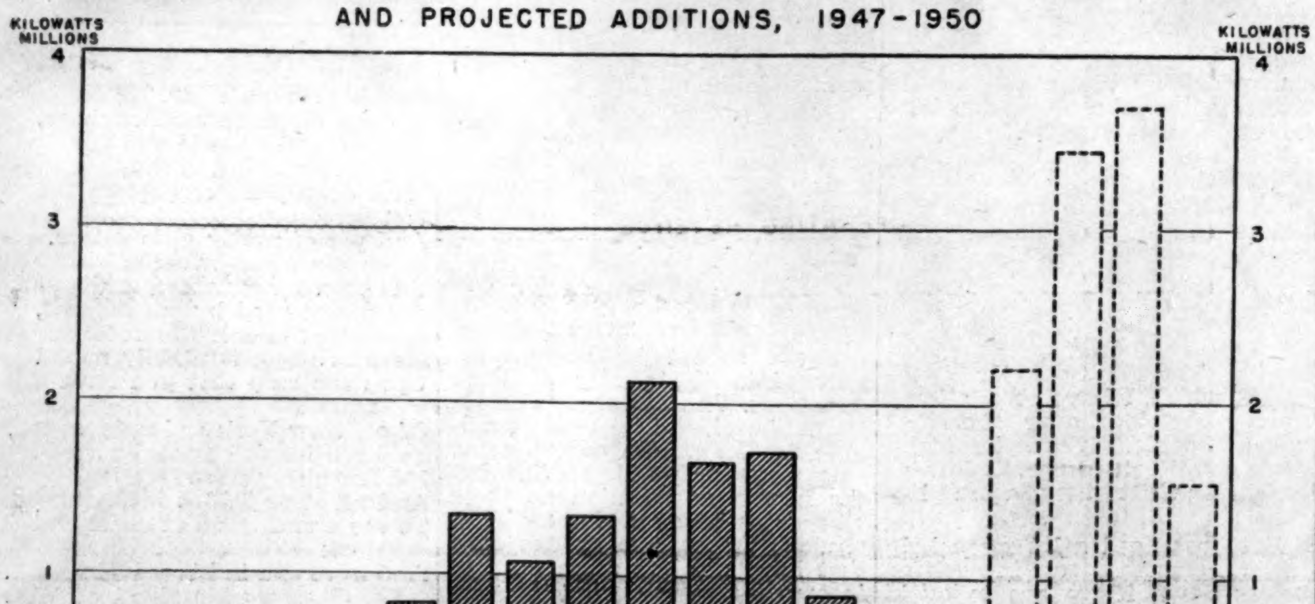
It is perhaps difficult for us to remember just how sick the electric utility industry appeared to be only 10 to 15 years ago. From Sept. 1, 1929 to April 15, 1936, 36 public utility operating companies, with outstanding securities in the hands of the public of $345 million, went into bankruptcy or receivership. Sixteen additional companies, with $154 million of securities outstanding in the hands of the public, offered readjustment or extension plans after defaulting on interest payments. Public investors in the preferred stocks of operating companies also suffered seriously. As of Dec. 31, 1938, there were $140 million of accumulated arrears on operating company preferred stocks.

As might be expected, because of the greater leverage factor present, holding companies were even sicker. From Sept. 1, 1929 to April 15, 1936, 53 holding companies went into receivership or made application for relief under Section 77 B of the Bankruptcy Act. The aggregate capitalization of these holding companies represented by their outstanding securities in the hands of the public totaled in excess of $1,600,000,000. Twenty-three additional holding companies with publicly held securities exceeding $530,000,000 offered readjustment or extension plans after defaulting on interest payments. As to the preferred stocks of holding companies, the statistics show that, as of Dec. 31, 1938, registered holding companies had outstanding in the hands of the public $2,083,000,000 of preferred stock (on an involuntary liquidating basis), of which more than half, or $1,169,000,000, was in arrears, the total arrearages as of that date aggregating approximately $282,000,000.

What happened to the electric utility industry during the early Thirties which caused these catastrophes? The accompanying graph (Chart 2), based on composite industry income statements compiled by the Edison Electric Institute and published in "Moody's Manual of Investments, Public Utility Securities for 1946," shows the operating revenues, operating expenses (excluding depreciation and taxes), and net operating income before depreciation and taxes for the utility industry from 1928 through 1946. A study of the graph reveals that the net operating income of private utility companies (before depreciation and taxes) was greater in any single year of the Thirties than it was in 1928, a year which itself exceeded all previous years. Go-

CHART 1

ADDITIONS TO
GENERATING CAPACITY BY PRIVATE UTILITIES, 1932 - 1946
AND PROJECTED ADDITIONS, 1947-1950



1. Prepared by the Securities and Exchange Commission. DS-2972 472687A.
Sources: Edison Electric Institute and Electrical World.

ing beyond the graph and further into the composite industry income statements during these years, we find that gross income was actually higher through 1932 than in 1928. Then, because of increased taxes, increased depreciation accruals, and declines in "other income" and "non-operating income," gross income turned downward, but to an average of only 5.7% below the 1928 level for the years 1933 through 1938, reaching a low in 1934 only 10.3% below of the 1928 level. These composite figures indicate that, as a whole, the electric utility industry during the depression had elements of strength almost unparalleled in our economy.

Part of the answer, at any rate, to the question of what happened to cause the extreme "sickness" of the industry, may be found in the some 90-odd volumes of the Federal Power Commission's reports on the utility industry. There certainly is no need to reargue the facts which led to the passage of the Public Utility Holding Company Act of 1935. But so that we won't forget, let us recall the unrefuted story told in the FTC reports of speculative financing, pyramided holding company structures, excessive leverage, write-ups, excessive service charges, inadequate depreciation, excessive dividends, excessive prices paid for utility properties, discordant property acquisitions, etc. By and large, the facts seem to indicate that much of the troubles of the electric utility industry through the Thirties can be laid to these factors rather than to any severe dip in electric utility operations.

Need for Common Stock Equity

An analysis of why many of the operating companies got into trouble indicates that extreme leverage—the lack of any substantial common stock equity—was a major cause. In others this factor was associated with some of the specific abuses which I have just enumerated; still others had transit properties and other non-related businesses which helped get them in trouble. Some of the operating companies, it is true, were located in predominately single industry territories and thus, to a considerable extent, assumed the characteristics of that industry almost more so than their own; even so, however, many of such companies were among the worst offenders in terms of having insubstantial common stock equities. One of them, for example, had a $30 million common stock equity account, per books, but that equity consisted entirely of "wind and water," which had to be entirely written off in the recent reorganization of the company.

Since 1935 the electric utility industry, as we all know, has made very substantial strides toward basic financial soundness. Improved economic conditions have provided a favorable backdrop for such development and all industries have shared, to a greater or lesser degree, in the increasing prosperity. With respect to the electric utility industry, however, the combined regulatory efforts of the States, the FPC, and the SEC may not be overlooked as powerful factors promoting better health. Substantially over a billion dollars of inflation has been eliminated from utility plant; depreciation reserves have more than doubled; outstanding long-term debt has substantially decreased; corporate structures have been substantially simplified and unnecessary companies eliminated: actual investment in common stock equity capital has been materially increased as a result of reorganizations, equity contributions by the parent, sales of equity securities, etc. Moreover, as I shall indicate at greater length, the bonds and preferred stocks issued and sold contain protective provisions which are of great value in safeguarding the financial integrity of the companies.

The $140,000,000 of arrears on operating company preferred stocks which existed at the end of 1938 has been worked down to $42,000,000, and plans are now on file with the SEC to eliminate all but $4,000,000 of these arrears. Moreover, electric or combination electric and gas companies account for less than $300,000 of this latter amount so that, for all practical purposes, no arrearages may be said to exist now in such companies.

Not only have arrearages been eliminated, but coverage of fixed charges and preferred dividend requirements has shown marked improvement. In 1935 the electric and gas utilities subject to the Holding Company Act covered these requirements 1.23 times. In 1946 charges and preferred dividend requirements were earned, on the average, 2.49 times. That is considerably better than the average coverage of triple-A credit utilities in 1935.

Statistics of Capitalization

Perhaps the best single indication of a company's state of health is it capitalization. Let us look at some interesting statistics for a group of 70 companies which constitutes nearly all the electric utilities whose common stock are traded in sufficient quantity to provide a reliable market. At the end of 1946 these companies averaged about 50% debt, 17% preferred stock, and 33% common stock and surplus. Only nine of these companies carried as much as 60%; five of these nine had no preferred stock outstanding, so that common equity accounted for the remainder of the capitalization. Only two of these 70 companies had an equity of less than 20% at the end of last year and only nine others fell under 25% in this respect. At the close of 1935 the books of nearly a third of these 70 companies showed less than 25% equity. This ratio was per books, and, as we know, reflected much "water" now eliminated by regulatory action.

In addition, the ratios, per the books of 1935, were also overstated because of inadequate depreciation reserves. In 1935 an 8.75% depreciation reserve was about average and a reserve of as much as 15% was rather exceptional. Today the average company in our 70-company sample has depreciation reserves amounting to 22.5% and the reserves of only seven companies fall below even a 15% level.

By and large, then, the electric utility industry is entering this period of growth in a strong position. The industry furnishes an essential service and can contemplate continued growth for many years. Its improved financial condition commends its securities to investors and it appears that equity financing will be possible over a greater part of the business cycle than was true when tremendous leverage characterized many utility common stocks. Moreover, to an increasing extent as the Section 11 program rolls along, electric utility operating companies are ceasing to be captive to holding companies running them by remote control; the ability of such operating companies to raise equity capital is not linked to the ability of the holding companies to supply it—they are now free to tap the capital markets of the entire nation. The relatively few holding company systems which will remain will be those controlling integrated properties, and they will possess such simplified capital structures that their own equity security issues should be attractive to investors. We must not assume, however, that the present condition of the industry is such that we in the regulatory commissions can take for granted the continued financial health of this industry. The great danger, I think, is that all of us—the industry, regulatory authorities, and buyers of utility securities—become complacent on this subject and permit, almost unnoticed, a gradual erosion of the ground gained in the last ten years.

Regulatory Standards of Capital Structure

Eternal vigilance is not only the price of liberty; it also is the price of a well-regulated industry. What we have learned in the past ten years, I think, is that the regulatory agencies have been right in insisting upon the development of high standards of corporate finance. Many sound utilities have gladly accepted these standards. But each of these standards was resisted by some of the companies and many battles were fought in the conference rooms and hearing rooms of regulatory agencies, State and Federal, over adequate equity ratios, adequate depreciation accruals and reserves, strong indenture and preferred stock protective provisions, etc.

Management is frequently under too many immediate pressures to see the forest for the trees. Often, its interest in maximizing the immediate return to the common stockholder is bad for the latter in the long run, and worse still for the senior investors, the consumers, and the economy. We at the SEC constantly are faced with stridently urged requests, usually based on inadequate reasons, to modify or eliminate this or that protective provision which had been worked out over many years. I am quite sure that you of the State commissions have the same type of experience. A few managements seem constantly to wet their fingers to the political winds and look to each election or to a change in the personnel of commissions as offering them the opportunity to effectuate the elimination of some, or many, of the protective standards. The standards of conservative finance are not, however, in the exclusive possession of any political party or any particular group of men.

As long as the bulk of the electric utility industry was subject to holding company control, the job of improving the financial standards of the industry was shared by the State commissions, the SEC, and the FPC. But, as the statistics on compliance with Section 11 show, the SEC is gradually dropping out of the picture. Nearly $8 billion of assets have thus far been divested under Section 11, of which $5.5 billion are no longer subject to the Holding Company Act. Speaking in terms of electric utilities alone, 144 companies, with assets of $4¼ billion, have already passed from the jurisdiction of the SEC to local regulation. Thus, the State commissions are rapidly assuming more and more of the responsibility for most utility regulation. As a former State Commissioner, I naturally, believe in the ability of the States to see to it that the construction program of the industry is financed safely and sanely. This task is not an easy one, however, and in order to be successful we must not depart from the lessons we have all learned in the past years. For the rest of this discussion, I want to summarize, briefly, what I think some of those lessons are.

First and foremost, the construction program must be financed in such a way that we will not return to the distorted, thin-equity security structures of the past. A balanced capital structure with a substantial amount of common stock equity provides a considerable amount of insurance against the dips of the business cycle; it enables the utility to raise new money most economically; and, if there is a decline in earnings, it minimizes the possibility of deterioration in service to consumers comparable to that experienced in the railroad field. The NARUC (through its Committee on Corporate Finance, has consistently stressed this point of view to the individual commissions and to the industry. For example, back in 1940, the Committee on Corporate Finance adopted as its recommendations for the capitalization of public utility properties certain general standards advocated by the late Judge Robert E. Healy, SEC Commissioner from the inception of the Commission to his untimely death last November:

"(1) Keep the ratio of debt to total capitalization and to the property account minus write-ups and minus adequate depreciation at as low a point as possible;

"(2) Keep the ratio of common stock capital to total capitalization and property account as thus defined at as high a point as possible;

"(3) Press the companies to adopt a program of systematic debt reduction."

Institutional investors who constitute the principal market for utility bonds, to a considerable extent for utility preferreds, and more and more for utility common stocks are, of course, keenly aware of the need for conservative capitalizations. Some of you may have read the recent article in the June 5, 1947, issue of "Public Utilities Fortnightly," by William W. Bodine, formerly President of The United Gas Improvement Co. and now Financial Vice-President of Penn Mutual Life Insurance Co. After pointing out the desirability of maintaining a conservative capital structure and making adequate provision for debt retirement, he there stated the views of his company on minimum standards of utility capitalization as follows:

"We like to see not more than 50% of the capitalization represented by debt, and certainly not more than 75% represented by debt and preferred stock. Common stock and surplus should not be less than 25%. Only on rare occasions do we buy public utility preferred stocks where debt and preferred stock equal as much as 75% of the total capitalization."

These standards do not vary materially from the minimum objectives of the SEC, many of the State commissions, and a significant proportion of the industry itself.

Of course, you cannot expect the institutional buyers to do the job of enforcing proper capitalization standards. Just as nature abhors a vacuum, institutional investors abhor excessive idle capital and, within limits, they could be expected to buy bonds, at least, of utility companies, even if present standards were considerably relaxed. The mere fact that institutional investors or underwriters stand ready to buy a particular issue at a price can give you no assurance, of course, that the issue, or the particular terms thereof, meet proper standards.

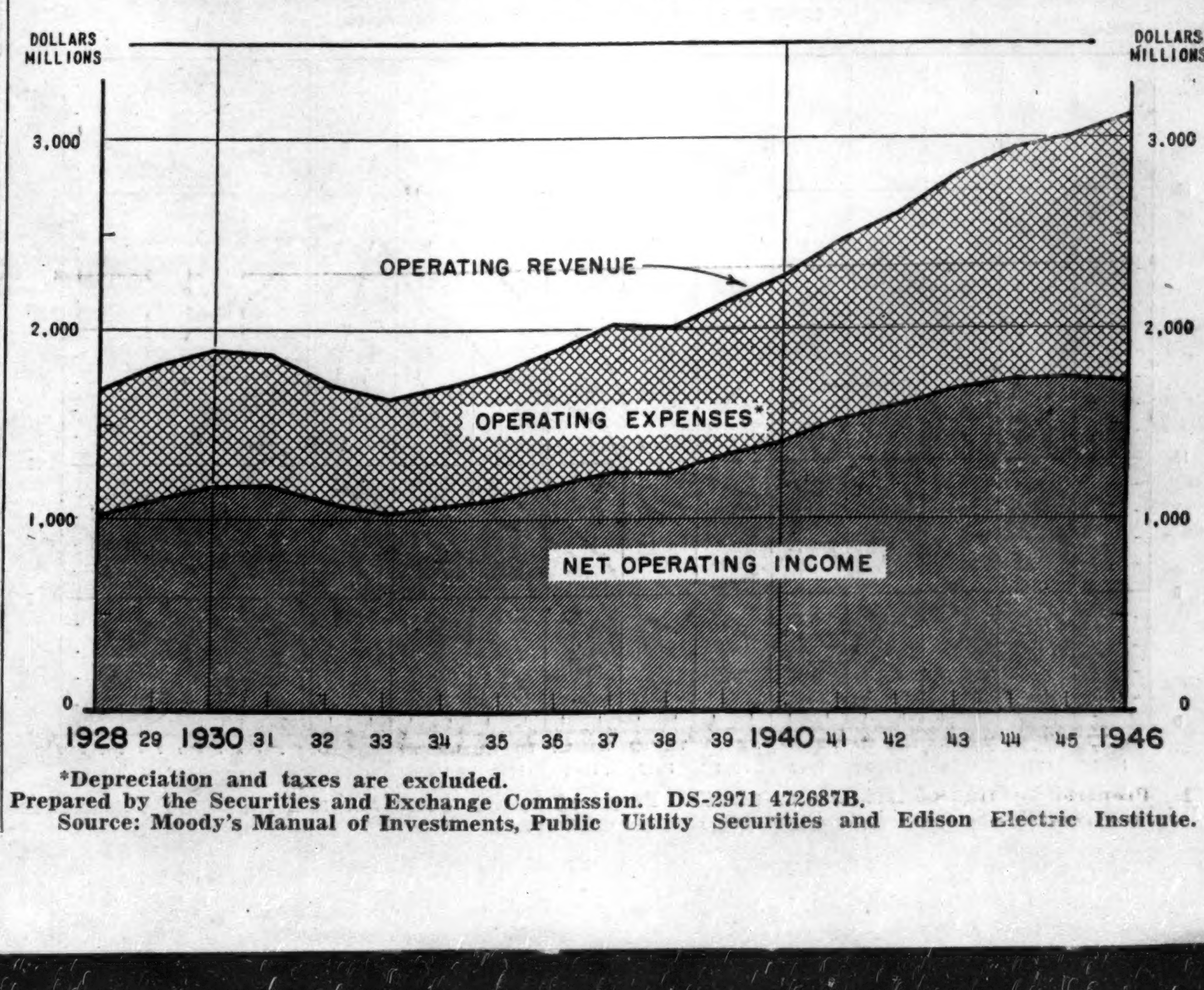
Is all this talk about balanced ratios only academic as far as the State commissions are concerned? Some people have the impression that, with bond money so cheap, it is foolish to think of issuing common stock securities and that the interests of consumers require a debt ratio as high, or almost as high, as the market will absorb. Along with most, if not all, of the State commissions, we at the SEC do not agree with this line of thinking.

Earlier, I referred to some statistics covering a group of 70 companies, which constitutes nearly all the electric utility companies whose common stocks are traded in sufficient quantity to

(Continued on page 30)

CHART 2

DISTRIBUTION OF OPERATING REVENUE FOR PRIVATE UTILITIES



*Depreciation and taxes are excluded.

Prepared by the Securities and Exchange Commission. DS-2971 472687B.

Source: Moody's Manual of Investments, Public Utility Securities and Edison Electric Institute.

The Capital Structure of Electric Utilities

(Continued from page 29)

provide a reliable market. The common stocks of something over half of these companies have been traded for four years or more, and price-earnings ratios for such companies have been computed at six-month intervals. By ranking the companies in the order of their average price-earnings ratios and then dividing the sample into upper, middle and lowest thirds, designated for convenience as Groups A, B and C, three distinct levels of market appraisal may be observed. Let us look further at these groups which the market treats as high, medium and lower grade.

Price-Earnings Ratio

First of all I should like to call your attention to Chart 3, which shows the average price-earnings ratio for each of the three groups at six-month intervals over an extended period of years. You will note that earnings of the highest third have been appraised by the market at from 9 times to nearly 22 times, while the market prices of the lowest third of the sample have at times fallen to less than five times earnings.

I shall not attempt to analyze all of the reasons for these differences in market valuation, but I do want to point out the close correlation between the capitalization ratios of these companies and what the market is willing to pay for their earnings. Chart 4 shows this correlation very plainly.

The 12 companies in Group A, constituting the upper third, have a median debt ratio of 37.5% and common equity, including surplus, of 58.7%. At June 30, 1947, the common stocks of these companies sold at an average of 16.4 times earnings and 20.5 times dividends.

Group B, the middle third, shows only slightly higher debt ratios, the median being 40.8%, but due to greater use of preferred stock, the average common equity is 40.1%. Earnings of this group were valued at an average of 13.1 times at June 30, 1947, and sold at 17.5 times dividends.

The lowest third, Group C, is characterized by a larger debt burden, the median being 54.2%. Preferred is less prominent than in Group B and common equity amounts, on the average, to 34.2% of the capitalization. The market apparently takes substantial cognizance of the large proportion of long-term debt and the smaller common stock equity, and the average Group C equity was priced at June 30, 1947, at 9.0 times earnings and 15.4 times dividends.

Market appraisal of senior securities follows precisely the same pattern. Significantly enough, all companies in the sample having triple-A bonds fall in Group A; Group B companies, to the extent rated, are all double A credits, while single A and Baa credits uniformly fall in Group C. At June 30, 1947, triple A bonds sold on a 2.53% average yield basis. Double A's sold on a 2.60% basis, single A's at 2.72%, and Baa's at 3.05%. Thus, without attempting to define the precise responsibility of capitalization ratios for market appraisals, it cannot be questioned that such ratios are closely related to prices of all classes of securities. Since the cost of capital is an important factor in determining a fair rate of return, I think these figures tend to show the consumers' concern with a balanced capitalization containing a substantial common stock equity. Cheaper money is available to the more conservatively capitalized utilities. Those with weaker capital structures must pay more when they need cash. This is simple and trite, but painfully true.

Optimum Capitalization

The market's reaction at any given time to differences in capitalization ratios is not, however, the final answer to our problem. Here, we come to the old quest for the so-called "optimum capitalization." The concept of the "optimum capitalization" has, in general, had the effect of encouraging the growth of common stock equity, which was all to the good in an industry which has needed just that. The concept assumes, however, that the current cost of capital should be the major guide in determining the proportions of senior and junior securities in the security structure.

There is danger, I believe, in making this test a fetish which is substituted for careful consideration of the more complex factors governing the health of a utility company. Suppose it is determined that a company with 40% bonds, 15% preferred stock and 45% common equity can rearrange its capital structure to an extent that its ratios become 60% bonds, 15% preferred and 25% common. Now, it is quite conceivable that in certain phases of market activity, even a change in the capital structure so drastic as this could be made without seriously disturbing the price of the common and preferred. In fact, speculative fever has sometimes become so rampant that the increased leverage inherent in the common stock after such a change in the capital structure would probably have increased demand for the stock and raised its price. Thus the immediate cost of money might appear to be lowered substantially.

But suppose also that a market reaction has set in while construction needs are unabated. We then find that common stock financing becomes more difficult and even preferred financing, particularly if the company is not top-grade, is fraught with uncertainties. The more timid the market becomes, the more heavily will the company's 60% of debt securities weigh upon the sales prospects of new issues—be they common, preferred, or bonds. At this point, the company is faced with the problem of issuing junior securities at a sacrifice or of loading on even more debt and further reducing the quality of its bond credit—also at a sacrifice price. The common stock which sold on a 4½% basis in the boom may go to 8% or more in dull periods. If a rate of return is then computed on a basis allowing the company to attract new capital, the so-called maximum economy of yesterday can become the millstone of tomorrow.

A broader approach to the problem of capitalization ratios may at times result in a security structure which, at a given moment, may appear to be more expensive from a narrow cost-of-money viewpoint. I don't regard such a circumstance as being contrary to the interests of the consumer and I should like to urge upon you the conviction that financial strength rather than momentary economy in cost of money is in fact the best ultimate protection for the consumer. I believe that this is generally true at any time. But certainly the tremendous future financing needs of electric utilities make it doubly true today. It is a matter of great urgency if we are to be able to meet the problems that lie directly ahead.

Now, by financial strength, I do not mean that every utility should strive for a 100% common equity. But each company should have sufficient equity to insure it full liberty, capitalization-wise, in additional financing and to permit it to face contingencies with reasonable assurance. The emphasis, in fact, should be on over-strengthening the financial structure in terms of today's markets in order to cope with the vicissitudes and demands of tomorrow.

These observations apply with equal, if not greater, force to operating companies remaining under holding company control. Unless total system capitalization, including that of the holding company, follows the principles I have been describing, the operating subsidiaries will inevitably suffer higher costs of raising capital and will incur all other detriments of a poor capital structure.

Short-Term Financing

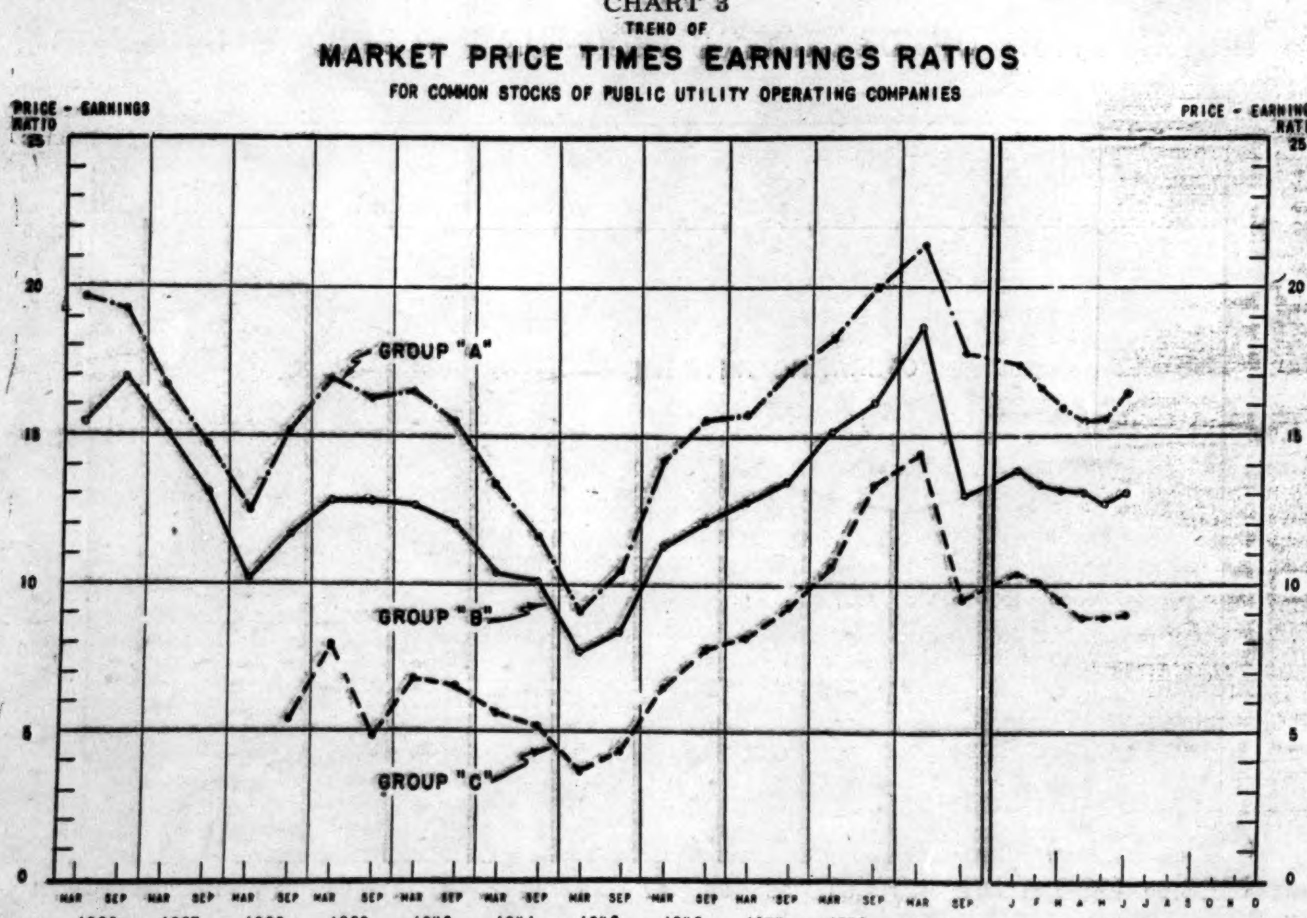
I would like to make a point or two about the use of short-term debt—bank loans—to provide funds for construction purposes, the loans to be repaid from earnings over a period of years, or to provide funds for construction pending long-term financing. The turnover of capital is very slow in the electric utility industry and long-term financing, therefore, fits its economic pattern best. Past experience has shown that many an issuer has been required to default on preferred stock dividends or pass common stock dividends in order to meet maturities of excessive amounts of short-term loans. That is why charter provisions relating to preferred stock issues permitted to become effective under the Holding Company Act require the consent of a majority of the preferred stock as a class for the issuance of unsecured debt in excess of 10% of the aggregate of secured debt and capital and surplus.

Some companies, however, appear to be tempted by the low rates of interest at which bank capital is available to finance their capital requirements, despite the dangers of substantial amounts of bank debt. These dangers are particularly acute during an extended period of heavy construction. As to the use of substantial bank loans for interim financing during the construction period, simple calculations will show that apparent savings in using bank loans for this purpose, in lieu of obtaining long-term money at the outset, may be wiped out by a relatively small increase during the construction period in long-term interest or preferred stock dividend rates or common stock yields. Generally speaking, I do not think that commercial bankers themselves would quarrel with the proposition that bank loans should not be used for financing utility construction unless the utility company has the ability to repay the loan under adverse business conditions and without disturbing dividend payments too materially.

SEC Policy

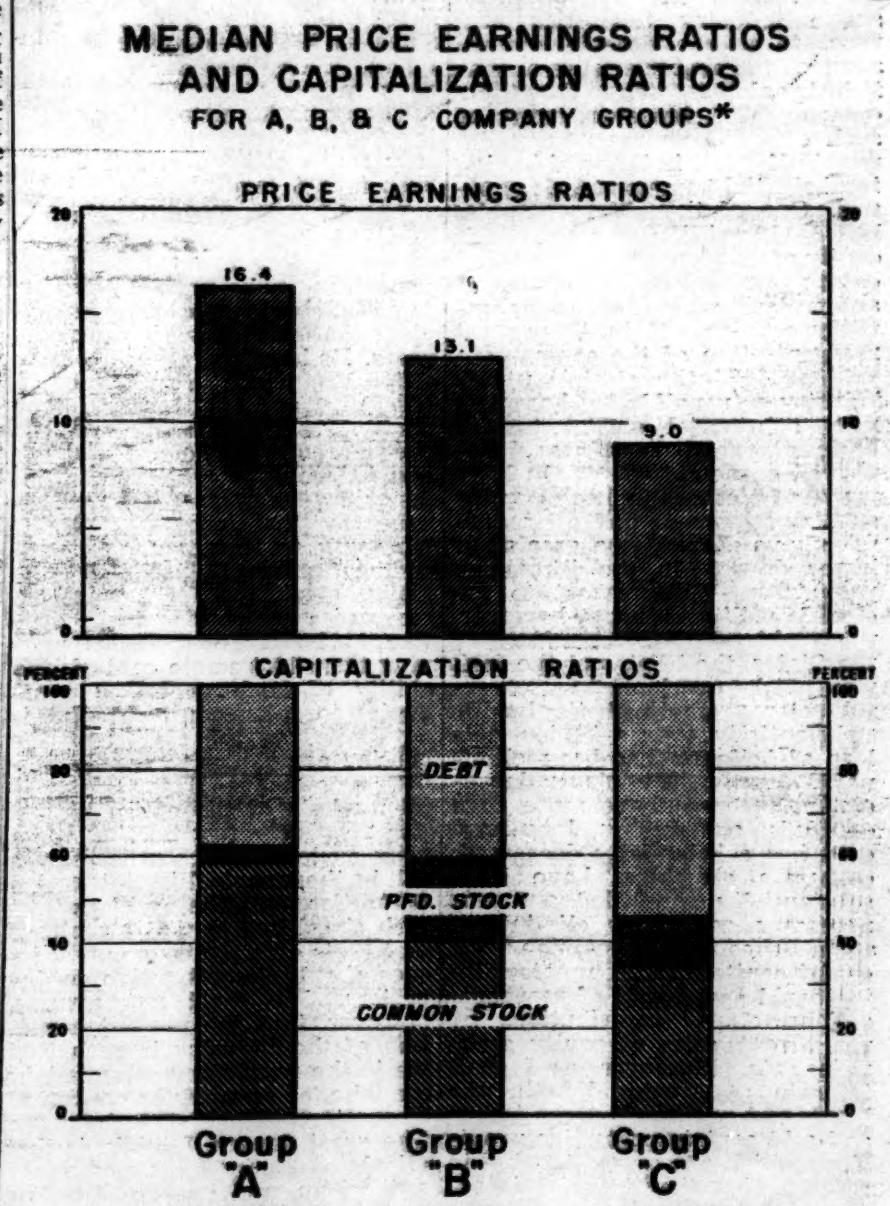
I am sure there is little disagreement among us as to principles of sound utility capitalization. But, general propositions do not necessarily decide concrete cases. In a great many instances, the utilities come to both the State commissions and the SEC with a specific program which, either through the selection of a particular type of security or through the terms thereof, does not adequately reflect these principles of conservative capitalization. They assure us that buyers are waiting to purchase the issue and that they must have approval promptly on a rush schedule basis in order to finance urgently needed construction or in order

CHART 3



Note: Data as of last day of month. Prepared by the Securities and Exchange Commission. DS-2958 472687C.

CHART 4



*As of June 30, 1947. Prepared by the Securities and Exchange Commission. DS-2970 472687D.

not to miss this or that interest or preferred stock dividend date. Sometimes, underlying their statements, one feels the almost explicit premise that this is a matter solely for practical businessmen which the regulatory agency can't really be expected to appreciate fully.

Such pressure is difficult to withstand, particularly when it comes from competent utility executives who are capable operating men and whose sincerity and interest in the welfare of their companies cannot be questioned. The bald fact is, however, that regulation must sometimes put restraints on particular financing plans of utilities. The public interest in so doing has manifested itself repeatedly. That is one of the major reasons for the creation and maintenance of regulatory agencies. Sometimes, the long-range interests of the consumers may be as opposed to the immediate desire of a utility company in a financing application as they are in a fully contested rate proceeding.

The experienced and wise agency, therefore, will not succumb to this type of pressure and will step back and, in a more calm atmosphere, attempt to appraise the advantages and disadvantages of the particular type of security the utility desires to issue in the light of its capital structure and future requirements. The agency will also examine the terms of the particular security to assure that it contains adequate protective provisions in the light of present-day standards of corporate finance.

My own limited experience indicates that the State commissions, quite as much as the SEC, are alerted to the necessity of attempting to preserve or attain balanced capitalization ratios. I am not so sure, however, that many of the State commissions have attempted to use their powers to obtain the various protective provisions which have become standard in a bond or preferred stock issue under the Holding Company Act. Parenthetically, let us remember that many States, as yet, do not require competitive bidding in security issues. I don't wish to launch into any discussion of competitive bidding today. But I do want to point out that it has proved its usefulness for a number of years now in cutting underwriting costs and obtaining capital as cheaply as possible. Moreover, it serves to prevent the investment bankers from virtually "staking out claims" on the companies in your State. The provisions for exemptions in the competitive bidding rules have proved sufficiently elastic to permit negotiated transactions upon a specific showing; even then, "shopping-around" among various banking groups should be required.

The various protective provisions in bond indentures and preferred stock charter provisions are not merely designed to protect investors; they provide a continuing requirement that the company maintain proper capitalization ratios and, as such, it seems to me that you should consider them even though your statutory concern is primarily with that of the consumer. I think they are a part of the tools of our trade as members of regulatory agencies; they are the technique by which we provide automatic controls which keep ratios in line and minimize the occasions for the pressure situations I have outlined above.

Unless your State statute is particularly restrictive, I think the imposition of these protective provisions as a term or condition to your orders of approval should withstanding attack in the courts. The entire industry subject to the SEC's jurisdiction has, by and large, accepted these conditions for a number of years now without any attempt at litigation.

Market Outlook Continues Favorable

(Continued from page 2)

market as a whole was definitely in a buying area when it sold down into the 160-170 zone for the Dow-Jones Industrial Average in April and May of this year. As will be seen from the following table, the May low was equivalent to about 10 times the currently indicated level of earnings for 1947. A similar ratio was witnessed on four occasions in the past 20 years and in only one instance during this period (in 1941) did the market decline to below 10 times the current year's earnings. (The one exception occurred when the market had to absorb a very substantial amount of European liquidation.) Conversely, at its high for the year, the Dow-Jones Industrial Average has sold at 13 times earnings, or higher, during all but one of the past 20 years. On the basis of this record, and even assuming a continuation of a generally low level of confidence, does it not seem reasonable to expect stocks to sell up to somewhere near 13 times earnings before the end of 1947?

DOW-JONES INDUSTRIAL AVERAGE
Relationship of Prices to Earnings

Year	Price Range	Earnings	Ratio of Prices to Earnings At High	At Low
1927	202.153	$8.70	23.2	17.6
1928	200-191	16.00	18.8	11.9
1929	381-199	19.90	19.1	10.0
1930	294-158	10.80	27.2	14.6
1931	194- 74	3.90	49.7	19.0
1932	89- 41	---	---	---
1933	109- 50	2.80	38.9	17.9
1934	111- 86	4.50	24.7	19.1
1935	148- 97	6.90	21.4	14.1
1936	185-143	9.95	18.6	14.4
1937	194-114	11.35	17.1	10.0
1938	158- 99	6.00	26.3	16.5
1939	156-121	9.20	17.0	13.2
1940	153-110	10.95	14.0	10.0
1941	134-106	11.50	11.7	9.2
1942	120- 93	9.20	13.0	10.1
1943	146-119	9.70	15.1	12.3
1944	153-134	10.00	15.3	13.4
1945	196-151	10.50	18.7	14.4
1946	212-161	13.60	15.6	11.8
1947 to 7-15	187-162	16.25 Est.	11.5	10.0
*1947	210-162	16.25 Est.	13.0	10.0

*Estimated Potential.

In connection with the above estimate of earnings for 1947, it might be in order to point out that allowance has been made for the general expectation that sales and profit margins during the next six months will fall below the record levels of the first half for many companies. Some surprises may be in store for us, but my experience with this type of analysis, over the past 20 years, indicates that the errors in individual estimates tend to offset each other, as long as we can avoid having a definite bias in one direction or another.

Other Factors Also Bullish

There are several additional reasons for believing that the trend of the market will be upward over the near-term, quite apart from the earnings picture. These include the distinct shift in propaganda from Washington as to the outlook for general business. To be sure, the renewed effort, as mentioned in the New York "Times," of "combating inflation with exhortation" may tend to offset the emphasis on the favorable factors in our economy. However, publicity as to the inflation forces (which have been augmented by government-sponsored increases in wage rates) is more likely to fan rather than to dampen speculative interest in equities.

The recent passage of the first labor Act in more than 15 years which is not deliberately one-sided, must also be considered a favorable development. It should become increasingly evident, with time, that the dire consequences promised by the opponents of the bill were unfounded and that the net result of this legislation will be to promote confidence in the longer-term outlook for the profit system.

From a three to six months' point of view, the probabilities are that business will be stimulated also by the prospective conversion of terminal leave bonds into cash and by modifications of the restrictions on instalment purchases. It is easy to exaggerate the importance of any of these factors, individually, but I believe that they should be kept in mind as real offsets to the bearish forces which have been given so much publicity during recent months.

Historical Price Record May Be Misleading

No conscientious investment counselor would submit any conclusions to his clients, or make any recommendations, without first examining the ever-present opposing point of view. Recently, one of the principal arguments advanced by those who believe that stock prices are headed downward is that "stocks are historically high." The average level or range of stock prices over a period of years is, of course, the keystone of almost all of the formula plans. Some of these plans allow for the rising trend present in certain of the industrial stock averages, but few of these plans allow for the possibility of a *permanent* inflationary rise above the 120 level (which it is assumed that prices will continue to fluctuate, broadly speaking, within the limits of most of the previous years. It is pointed out that stocks have sold at below the 140 level of the Dow-Jones Industrial Average at sometime during all but seven of the past 50 years and that this average has risen to above 190 during only seven of these years. Also, a point is made of the fact that the rise above the 120 level (which marked the peak in this average prior to 1925) proved to be temporary, with the market subsequently declining (in 1932) to about 41.

This approach overlooks the fact that as a result of our wartime increase in Federal debt, we may now be in the process of readjusting our price level, permanently, to somewhere between 50% and 100% above the average levels of the past decade.

Inflation Danger Very Real

I blieve that this prospect of a possibly permanent, inflationary rise in our price level should be taken very seriously by investors who are interested in protecting the purchasing power of their funds, and not merely the dollar value of those funds. The Federal authorities have done an excellent job, so far, in preventing the tremendous expansion of government debt since 1931 from having a full impact on our price level. They have been aided by such factors as the shortage of spending outlets and the willingness of the public to submit to drastic controls during the war period; patriotism of individual investors; and a lack of confidence in the general outlook because of certain New Deal policies. It is not inconceivable that the inflationary potential of a government debt substantially in excess of our prewar annual national income is only now becoming effective. The theory that our tremendous potential productive capacity will flood our markets with goods, and thereby prevent inflation, is not borne out by the realities of practical economics. Various bottlenecks are preventing unlimited production in such key industries as automobiles, agricultural and railroad equipment, and steel. At the same time, it is unrealistic to believe that manufacturers will flood the markets with goods produced under current labor costs at price levels which do not reflect the tremenous increases in wage rates.

In brief, if we assume that our national debt will not be reduced to below $200 billion over the next five to 10 years, we must accept the conclusion that the supply of money will probably continue to hold at somewhere between two and three times prewar levels. This, in turn, means that the pull on the price level will be upward for some time to come. (The Federal Reserve Board's renewed appeal for additional powers over the money market, in the annual report to Congress released on July 7, indicates that this group realizes that it may now be powerless to prevent a further substantial inflation.)

Technical Interpretations Open to Question

Another reason frequently advanced by market students who have been advising against the purchase of stocks during recent months is the fact that the 1946 decline retraced only 42% of the rise from April, 1942, to May, 1946. According to this school of thought, the market should have had a greater decline than was experienced between May and October of last year. While I hesitate to differ with specialists in technical studies, I do not believe that this point should be taken seriously. As a matter of fact, I have felt, and still feel, that we have been in a broad bull market since April of 1942, comparable to the bull market of 1932-1937 and to that of 1921-1929. Each of these major advances was interrupted by two periods of consolidation or correction. The actual record of these periods is as follows:

*DOW-JONES INDUSTRIAL AVERAGE

	1921-1929	1932-1937	1942-1949
Low for period	Aug., 1921— 63.9	July, 1932— 41.2	Apr., 1942— 92.9
First peak	Mar., 1923—105.4	Sep., 1932— 79.9	July, 1943—146.4
Subsequent low	Oct., 1923— 85.8	Feb., 1933— 50.2	Nov., 1943—129.6
% Decline	19.6%	37.2%	11.5%
% Retracement	47.2%	76.7%	31.4%
Second peak	Feb., 1926—162.3	Feb., 1934—110.7	May, 1946—212.5
Subsequent low	Mar., 1926—136.3	July, 1934— 85.5	Oct., 1946—163.1
% Decline	**16.0%	22.8%	22.3%
% Retracement	34.0%	41.6%	58.8%
Final high	Sep., 1929—381.2	Mar., 1937—194.4	Late 1949— ?
Total Rise	496.5%	371.8%	???

*Closing prices. **New York "Times" Industrial Average declined 26%.

It might be mentioned, in passing, that the tentative projection of a final high by late 1949 is based on certain cyclical studies which were developed in 1930. These studies subsequently called for either intermediate or cyclical tops in the first quarter of 1934, in the last quarter of 1936, in the third quarter of 1939, in the second quarter of 1943, and in the first quarter of 1946. This record is mentioned merely to point out that the projection of late 1949 as a probable time for the next important selling area is based on work which has been tested in actual practice. (A retroactive check of this work for the period prior to 1930 shows much better results than some of the newly discovered timing or cycle formulae, whose current bearish implications have been given such wide publicity during recent months.)

Some Bearish Arguments Reflected in Earnings Estimates

There are several miscellaneous "bearish" arguments which have also been given a great deal of publicity. These include: The expectation that our excess of exports over imports will sooner or later decline to well below the recent abnormally high levels; the resistance to high prices in building; the evidence that pipelines have been filled in many industries; and the continued unsettlement in world affairs. At the present time, none of these factors appears to be of dominant importance. Moreover, their influence is reflected in our earnings estimates for 1947, and in the allowance for the fact that the Dow-Jones Industrial Average is not expected to rise to a level of more than 13 times earnings, a ratio which is the second lowest witnessed at any time during the past 20 years.

Summary

I believe that the preponderance of evidence points to a further rise in stock prices, with this conclusion being supported by technical as well as fundamental considerations. I can see the possibility of the market's meeting temporary resistance at about five or six points either side of the 1946 high of 212.50 in the Dow-Jones Industrial Average during the period immediately ahead, but I also believe that all of the widely advertised unfavorable factors were fully reflected in the market when this average was selling in the 160-170 area, both late last year and in April and May of this year.

It would seem unwise to ignore the danger that the banking authorities may be powerless now to prevent a permanent rise in the general price level, as long as our national debt exceeds $200 billion, or the equivalent of more than double the prewar average national income. The growing influence of this inflationary factor may be the real explanation as to why neither the 1943 nor the 1946 "corrections" in the market retraced as great a proportion of the preceding advance as might have been expected if we were not undergoing a basic change in the value of our monetary unit.

It is quite possible that the market may stay within the 1946 range of roughly 160 to 213 for another six to nine months, or until more of the necessary postwar readjustments have been completed. However, it seems not unlikely that history will record the trading area of the past 12 months as merely an interruption in a major bull market, similar to the interruptions in the 1921-1929 bull market which were witnessed in 1923-1924 and in 1926.

Sam Gates Resumes Business

GULFPORT, MISS.—Sam Gates has resumed his investment business under the firm name of Sam Gates Co. with offices in the Hotel Markham. In the past he conducted his own securities firm in Gulfport.

Now Sole Proprietor

PITTSBURGH, PA. — William W. Reynolds, member of the Pittsburgh Stock Exchange, is now sole proprietor of Reynolds & Co., 248 Fourth Avenue, C. S. McCleary having retired from partnership in the firm.

Remedies for Our Shaky Economic Situation

(Continued from page 6)

these nine months than in the entire period of general price control and three to four times as much as in the 37 months from the Hold-the-Line program of May 1943 to the end of effective price controls in June 1946.

The incomes received by the great majority of our people have failed to keep pace with the rise of prices. As a result, the buying power of all consumers declined 4.4% between the second quarter of last year and the first quarter of this year. It declined 12.3% between the first quarter of 1945 and the first quarter of 1947. The buying power of wage and salary earners has been cut even more sharply, by 7.4% between the second quarter of 1946 and the first quarter of 1947, and by 24.8% between the first quarter of 1945 and the first quarter of 1947. Such a drastic cut in the buying power of our people during a period when production available for civilian use has steadily expanded is surely enough to give anyone ground for worry.

Rise in Business Profits

The other side of the picture is the unprecedented rise in business profits. At the wartime peak, in 1943, corporation profits before taxes amounted to $25 billion. This was 2½ times the total for 1929 and nearly five times the average for 1936-1939. The share of the national output represented by corporation profits before taxes doubled during the war. The end of effective price control last June, however, ushered in a period of even more staggering profits. In the fourth quarter of 1946 corporation profits were running at the annual rate of $27 billion, and in the first quarter of 1947 even this record was undoubtedly broken. Corporation profits before taxes in the first quarter of 1947 probably ran in excess of $30 billion a year.

I have cited profits before taxes because these measure the spread between prices and costs and show whether they are in reasonable balance, neither so close together that business is starved for profits nor so far apart that the rest of the country is starved for purchasing power. After taxes, however, the story is even more striking. In 1943, at the peak of the war effort, corporation profits after taxes amounted to $10 billion. This exceeded the 1929 peak and, in spite of the wartime increase in taxes, was 2½ times the 1936-38 average. With the elimination of the excess profits tax, corporation profits after taxes rose in 1946 to $12.5 billion. And in the last quarter of 1946 they were running at an annual rate of $16.1 billion, 60% above the highest wartime year.

The story is clear: profits went up, buying power went down.

It is sometimes said that it is not the absolute level of profits but the relation of profits to investment that is significant. What do the figures show on this? A study made by the OPA covering 2,500 leading industrial corporations shows that these corporations averaged, before taxes, 9.8% on their net worth during the period 1936-1939. In the years 1942 to 1944 they averaged over 25%. While figures are not available for 1946, the rise of dollar profits in the last quarter of that year above the wartime peak makes it plain that the rate of return on net worth must similarly have risen to a new high, and today undoubtedly exceeds 25% on net worth.

After taxes, the return on net worth of these corporations averaged 8.1% in 1936-39 and 10% during the war years when the excess profits tax was in effect. While the figures are not available to show current performance, the fact that the dollar profits of all corporations rose, after taxes, from an average of $10 billion during the war to $16 billion in the last quarter of 1946 strongly suggests that the rate of return on net worth cannot today be far short of 16%. Plainly, these are swollen profits, swollen far beyond what is required to provide business with adequate incentives and with adequate means to finance the expansion of capacity.

Distorted Purchasing Power

All in all, we have today the most distorted distribution of national purchasing power of which there is any record in our history. And this has already resulted in a substantial decline in the physical volume of retail sales. The peak in the physical volume of retail sales was reached in February 1946. Since then, down to May of this year, there has been a decline of 10%, and this in spite of the great expansion in production and sale of durable goods. The physical volume of retail sales of nondurable goods shows an even greater decline, amounting to 17%. Because of the sharp inflation of prices, the dollar volume of retail sales shows a different picture. These sales continued to rise until February of this year, one year after the peak had been reached in physical volume. Since that time, however, even these sales have turned down.

This cut in consumption is an ominous matter and a proper cause for grave concern. In our system production cannot long expand while consumption is contracting. For the time being, the cut in consumption has been offset and more than offset by the unparalleled increase of business investment in plant and equipment, in inventories and in housing, and by an unprecedented expansion of exports. But the level of business spending has been highly abnormal and cannot persist indefinitely, particularly in view of the shrinkage of purchasing power in the ultimate markets, upon which investment prospects basically depend.

While no one can say with anything like precision how long the present volume of business spending and exports will continue, there is ample evidence that it rests upon increasingly shaky foundations. Expenditures to increase inventories have already dropped off sharply from an annual rate of $9.7 billion in the fourth quarter of 1946 to one of $3 billion in the first quarter of this year. In any prior period, this shift by itself could have occasioned recession. With the physical volume of retail sales shrinking and with the dollar volume of inventories at an all-time high, so that business faces very serious inventory losses if prices should decline, a movement to liquidate inventories may develop. Instead of pumping almost $10 billion a year into the market to increase inventories, as they did in the last quarter of 1946, businessmen may suck two to three billion a year out of the market through inventory liquidation. I cannot perceive how this Committee can ignore this plain warning signal.

Business expenditures for plant and equipment have also been running at unprecedented levels, far above what was required in 1941 and 1942 by business and government together to tool up this country for all-out war production. But these expenditures have already skimmed the cream off postwar investment opportunities. They appear to have reached their peak and indications are that business plans call for a decline of these expenditures by the end of the year. The volume of new housing, which was expected to run this year far ahead of last year, is barely equaling last year's record. Even this is surprising in view of the fantastic increase of prices which must before long price the housing industry out of the market.

Finally, exports have contributed powerfully to sustain the level of business activity. These markets have absorbed all the goods which American business and American consumers were unwilling or unable to purchase. But there are clear indications that these markets too must be expected to shrink in the very near future. The rise of prices here has bitten deeply into the buying power of other countries and into their supply of dollars. The English loan, at present rates of use, will be exhausted a year earlier than was anticipated. In 1946 our export surplus, that is, the excess of foreign purchases here over our purchases abroad, reached the undreamed of level of $8.2 billion. In the first quarter of this year even that record was exceeded by 50%; our export surplus ran at an annual rate of $12 billion. To finance this excess of purchases, foreign countries have had to deplete their supply of dollars at an accelerating rate. In 1946 they drew upon their gold and other dollar assets to the extent of $2.2 billion and on the loans we have extended to them by $3 billion, a total of $5.2 billion. In the first quarter of 1947, on the other hand, they were drawing upon their gold, dollar assets, and credits at a rate almost twice as great, $9.6 billion. Unless means are found to replenish the supply of dollars, a sharp drop in the level of our exports in the near future would appear to be unavoidable. Because of the special character of the effect of exports on business activity, an abrupt curtailment of the rate of exporting can touch off disaster.

All this adds up, Mr. Chairman, to make the present situation exceedingly vulnerable. As I said before, it is characteristic in periods of boom to suppose that the boom will last indefinitely. It is characteristic to cite every new record of production, employment, income, and sales as evidence that the fears of recession are groundless. But in the past every boom has developed the seeds of its own destruction. And there is clear evidence that this is no exception. The fact that prices appear to have taken a new upward turn is occasion for greater concern, not less. For if it continues, as it may, it will mean that the collapse when it comes will be that much more painful. Few observers believe that the present level of prices is supportable, and many business men are genuinely worried about the height of the prices of their products.

While no one can say when the business recession will strike, it must be clear that we should do everything possible—and do it now—to prevent any worsening of the imbalance between prices and wages—between our capacity to produce and our capacity to consume—and that indeed we should gear our policies towards an early correction of the imbalances which prevail today.

A Nine-Point Program

To prevent the economic situation from getting any worse and to remedy the basic imbalance, Americans for Democratic Action recommend the following nine-point program:

(1) The orderly scaling down of prices, designed to eliminate about one-half the increase in prices which has occurred since June, 1946. For this purpose we recommend the establishment of a Price Adjustment Board, which, working with the industry on a voluntary basis, will seek to facilitate orderly and equitable reductions of prices to a stable level.

We do not recommend the re-establishment of statutory price control, for in our judgment a Price Adjustment Board, if given clear directives by the Congress and the President and if made up of tough-minded businessmen, and other citizens, could accomplish a great deal without statutory power. We wish to warn, however, that circumstances might arise in which selective price control, under statutory powers, may become necessary. There is always the possibility, though it is a slim one, that there is one more round left in the inflationary spiral before it collapses. And there is always the possibility, though a fortunately slim one, of a bad harvest.

(2) The orderly increase of wages to incorporate into the wage structure as widely and as rapidly as possible the 15 cent an hour increases granted this spring in the steel, electrical and automotive industries. These wage increases are designed to build up buying power and prevent the drastic decline in prices which might otherwise occur. We recommend a strong statement on the part of this Committee that such wage increases would be beneficial to the economy as a whole. We especially recommend that government set industry an example by promptly raising the wages and salaries of government employees.

(3) Raising the floor under wages to 65 cents an hour and within two years to 75 cents an hour through amendment of the Fair Labor Standards Act. This amendment is necessary in order to offset the increase in the cost of living since the Fair Labor Standards Act was enacted and to prevent wage cutting during the forthcoming business adjustment. We urge this Committee to support such an amendment and to recommend to State governments that they enact similar legislation covering employees in intrastate commerce.

(4) Amendment of the social security statutes to increase the scale and duration of unemployment compensation payments and to extend the system to cover the 14 million employees not now eligible for its benefits. The present scale of compensation and breadth of covering not only falls far short of the requirements of equity but does not provide even the cushion of purchasing power, come a recession, which the Congress intended.

(5) The immediate enactment of a truly effective rent control statute. The statute recently enacted falls far short of what is required. Indeed, in view of the desperate shortage of housing and the impossible bargaining position of tenants, this statute permits—indeed, it invites—landlords to bludgeon their tenants into agreeing to 15% rent increases. The present statute will work grave hardship in millions of American families. Furthermore, as families are compelled to scrimp elsewhere in their budget in order to pay the higher rents the result will be the loss of hundreds of millions of dollars of sales in retail stores with repercussions which will be felt throughout the economy.

(6) Preparation for a reduction of taxes specifically designed to build up purchasing power where it will be needed, namely, in the hands of families of low and moderate incomes. For this purpose we recommend raising the individual exemption from its present level of $500 to $700 and decreasing excise taxes by $2 billion a year. These tax changes should not be made, however, until the other recommended adjustments have been put into effect. The Congress should either postpone action until requested by the President, or, if it chooses to act now, should empower the President, acting in consultation with his Council of Economic Advisors, to determine the effective date. Flexibility of timing is extremely desirable if fiscal policy is to be of maximum usefulness in stabilizing markets.

(7) Revitalization of the Veterans' Emergency Housing Program. This should include vigorous action by the government to reduce the costs of conventional building and to encourage and stimulate the development of factory-built housing. The heart of the program, however, should be a Federal guarantee that 1½ million homes will be produced each year. During the war we set our targets for planes and guns and tanks and ships in terms of what was needed. And then the government got them produced. That is the way housing, too, must be tackled. There is a sorry contrast between our ability to build planes and tanks for our boys to fight in—and if need be die in—and our excuses for not building homes for them to come home to and live in. The time for promises has long since run out. Action is what we need in housing—action now.

The Federal Government should announce itself ready to contract for the production of whatever number of houses, in addition to those constructed by private builders, may be necessary to meet the goal of a million and a half homes per year. Of this total, one-third or 500,000 homes should be constructed for rental to families of low and moderate incomes at rentals they can afford to pay. This should be *public housing,*

Questions Henderson Statement

Senator Taft takes exception to view that prices have outstripped wages

In the course of the foregoing testimony given by Mr. Leon Henderson before the Joint Congressional Committee on the Economic Report, Sen. Robert A. Taft, a member of the Committee, questioned the truth of the statement that "just as in 1920, prices have been permitted to get out of hand" and that prices have outstripped wage increases.

Robert A. Taft

"You have got a perfectly tremendous economy, now," said Taft, "and everybody has more money than ever before." Continuing Sen. Taft said:

"There is no imbalance between prices and wages. On the whole wages have gone up more than prices. What you say is a mistake of the New Deal, made from the beginning. There has been a 20% increase in the 'real wages' of factory workers since 1939, and taking the whole situation into consideration, wages have gone up more than retail prices. The development may have been socially unwise, but the total purchasing power has been there, nevertheless."

And commenting on Mr. Henderson's suggestion that wage increases be granted to maintain purchasing power, Sen. Taft recalled that when Mr. Henderson was head of OPA in 1942, he held that wage increases then threatened the nation's economy. "Now," said Sen. Taft, "you recommend that we cure the present situation by raising wages in order to make up purchasing power." To this, Mr. Henderson argued that prices were controlled in 1942, and this required control of wages as well.

constructed by the local public housing authorities with Federal aid.

(8) Prompt increase of the lending authority of the Export-Import Bank by $5 billion. This recommendation is based primarily, not upon the true and complete needs of foreign countries for our assistance, but simply to prevent the decline in American exports that is otherwise in prospect. Since our report was prepared, however, Secretary Marshall has made his historic proposal which for the first time has opened the way for a program to rebuild Europe, not merely to continue shoring up her economy through relief measures. This program will require time to work out. Meanwhile the world needs concrete assurance that Secretary Marshall speaks not for the Administration alone, but for the Congress as well. The immediate increase of $5 billion on the trading authority of the Export-Import Bank can provide this assurance, while at the same time it prevents any slackening of American exports pending development of the program.

(9 On the farm front, strict adherence to the wartime commitment to support farm prices through 1948 and legislation to continue the program beyond that time. While the program needs to be modified in detail to make it work better, the full intent and protection of the wartime commitment must be honored. Furthermore, school lunch programs should be expanded to provide every child in the country at least one square meal a day and the Aiken food allotment plan should be enacted, to provide an adequate diet for every American family. These measures will at the same time both protect the health and strength of our people and assure the farmers a market at fair prices for everything they can produce.

Americans for Democratic Action do not put forward this program as a long time plan for stabilizing the economy. Such a program, when it comes, must deal with monopoly and concentration, with scientific taxation, river valley developments, and the like.

These nine planks constitute our program to head off a recession. While this Committee may not agree with every element of the program or of the reasoning upon which it is based, it does have an obligation under the statute to come forth with a program. We hope that on the basis of the presentation here this morning the Committee will find itself in sufficient agreement with our program that many of its elements will be incorporated into that which the Committee adopts. We urge that both the Committee and the Congress act before adjournment.

Curb 5 & 20 Club Plan Golf Tourney

The New York Curb Exchange Five and Twenty Club is planning a Tee-off Golf Tournament on September 18 for the entire membership of the exchange. It will be the first such outing to be held since the club's formation last April by Curb members who have held a seat on the exchange for at least 25 years.

The tournament will be held over the course of the Garden City Country Club in Garden City, Long Island, Frank E. Herma, Chairman of the committee, has announced. Other members of the committee include Louis J. Drevers of Eric & Drevers, Jack Feinstein, Walter E. Kimm, Sr., of Kimm & Co., and Jerry Re of Re & Re.

The State of Trade and Industry

(Continued from page 5)

duction for the week ended July 12 increased nearly 17% as 295 million pounds were produced.

STEEL INDUSTRY SEES CONTINUANCE OF UPTREND IN SCRAP PRICES

The fever chart—scrap prices—this week reached an alltime high in steel industry history, according to "The Iron Age," national metalworking weekly. Following last week's inflationary binge the average price of heavy melting steel at Pittsburgh, Chicago and Philadelphia moved up $2.25 a gross ton this week. "The Iron Age" steel scrap composite this week stands at $40 a gross ton, 33 cents a ton above the previous peak reach on March 18 this year when the index was $39.67 a ton. The index last week was $37.75 a gross ton.

At mid-week there was no indication that the upward splurge in scrap prices which has made a terrific impact on steelmaking costs would show a reversal in trend. In the past two months the steel industry has seen the average price of scrap advanced $10.50 a ton. Following last week's sharp uptrend, heavy melting steel this week is up $1.50 a ton at Pittsburgh, $1.75 at Philadelphia and $3.50 at Chicago. Advances have occurred at other consuming centers.

Almost all producers late last week and early this week advanced the price of all pig iron grades $3 a ton. The "Iron Age" pig iron price composite this week is up $2.75 a gross ton to $36.18. Last week's revised index is $33.43. Thus, nonintegrated steel mills—those which must buy scrap and pig iron—are up against the biggest squeeze play in their history. In some cases these smaller mills have been able to offset rising costs by charging higher prices than those billed by major steel producers. This condition, however, is not universal and sporadic price increases may be expected soon from nonintegrated steel firms.

For each day that steel prices are not advanced, the loss in revenue to the industry on the basis of an average $3 a ton advance is about $5,430,000; on the basis of an average $4 a ton advance $7,200,000 and on an average basis of $5 a ton the daily loss of revenue is approximately $9 million, it is stated. More serious to the steel industry is the fact that much of the profitable operation today is due entirely to a demand for steel which far exceeds the current supply. When this situation changes steel firms will be forced to give up "backyard selling" and reenter areas where they must absorb substantial freight in a competitive market. The biggest headache that the industry faces is a rigid wage rate which is the highest in steel industry history and the knowledge that by 1948 the steel operating rate will be lower than it is at present and thus closer to the high break-event point.

The American Iron and Steel Institute announced on Monday of this week the operating rate of steel companies having 94% of the steel capacity of the industry will be 93.1% of capacity for the week beginning July 21, 1947, as compared with 91.5% one week ago, 95.6% one month ago and 89.3% one year ago. This represents an increase of 1.6 points, or 1.7% from the preceding week.

The week's operating rate is equivalent to 1,629,200 tons of steel ingots and castings compared to 1,601,200 tons one week ago, 1,672,-900 tons one month ago, and 1,573,800 tons one year ago.

ELECTRIC PRODUCTION 10.2% ABOVE A YEAR AGO

The Edison Electric Institute reports that the output of electricity increased to approximately 4,732,434,000 kwh. in the week ended July 19, 1947, from 4,530,533,000 in the preceding week. Output for the week ended July 19, 1947, was 10.2% above that for the corresponding weekly period one year ago.

RAILROAD FREIGHT LOADINGS 9.8% UNDER 1946

Car loadings of revenue freight for the week ended July 12, 1947, totaled 806,961 cars, the Association of American Railroads announced. This was an increase of 177,757 or 28.3% above the preceding week, and 88,121 cars or 9.8% below the corresponding week for 1946. Compared with the similar period of 1945, a decrease of 76,582 cars, or 8.7%, is shown.

SEASONAL RETAIL SALES AT HIGH LEVEL

Retail volume was stimulated by favorable weather in early July. A sharp rise occurred in tourist trade and demand for summer items was considerably higher than in the previous month. Total volume compared favorably with that of a year ago, with retail trade estimated to be moderately above that of June when month-end rains restricted consumer buying. The decline in shopping during the final weeks of June resulted in a slight drop in the June "Dun's Review" Regional Trade Barometer.

The preliminary June index was 271.6 (1935-1939=100), or 2.2% below the 277.7 of May. Despite this slight decline, the June barometer was 7.3% above the 253.1 of June, 1946, and only 3.5% below the record level of 281.4 reached in March, 1947.

BUSINESS FAILURES IN JUNE FALL 25%

After a six-month rise begun in December, 1946, business failures declined in June to 283, representing a decrease of 25% from the post-war peak of 378 established in May. Failures were more numerous than in any June since 1942, but remained low in comparison with pre-war years. The Failure Index, representing the number of failures per 10,000 concerns in business, declined in June to 14.4 from 17.3.

Liabilities incurred in failures in June aggregated $18,832,-000, the highest amount for the month since 1936. The rise from the level of recent years was sharp; current liabilities were six times as high as in June, 1946, and 10 times as high as in June, 1944.

Failures were most numerous in the $5,000 to $25,000 group. In about one-third of the month's failures, losses to creditors amounted to $25,000 or more; of these, 21 had losses in excess of $100,000.

Retail trade claimed one-third of the total failures during the week ending July 17, reports Dun & Bradstreet, Inc. Twenty-one retail stores failed, the same number as a week ago but over five times as many as in the corresponding week of last year. Manufacturing failures at 19 were slightly less numerous than retail failures, but rose from 14 the preceding week. Construction and commercial service also were responsible for week's increase in failures; in each of these groups there were 6 failures in the week just ended as compared with only 1 failure in each group a week ago. While failures fell off slightly in wholesale trade during the week, this group accounted for the sharpest rise from the 1946 level, with 11 concerns failing against 1 a year ago.

WHOLESALE FOOD PRICE INDEX UP 11 CENTS IN LATEST WEEK

Food prices moved upward for the third consecutive week. The wholesale food price index, compiled by Dun & Bradstreet, Inc., rose 11 cents to stand at $6.52 on July 15. This is the highest point reached since March 25 when the index stood at $6.56 and is only 3.7% below the all-time high of $6.77 recorded on March 4. The current figure compares with $5.20 on the corresponding date a year ago. Contributing to the rise were advances in wheat, corn, beef, hams, bellies, lard, butter, beans, peanuts, eggs, steers, hogs and lambs. Declines were listed for flour, rye, oats, cheese, cottonseed oil and potatoes. The index represents the sum total of the price per pound of 31 foods in general use.

DAILY WHOLESALE COMMODITY PRICE INDEX 1.6% HIGHER

Wholesale commodity markets were characterized by mixed trends. After declining slightly in the first part of the week, the daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., reversed itself to close at 264.02 on July 15. This represented an increase of 1.6% over the 259.80 recorded a week earlier. At this time a year ago it stood at 229.67.

Activity in grain markets increased during the week. All grains again reached new seasonal peaks for all deliveries except July wheat. A Department of Agriculture report estimated that the wheat crop would set a new high record of 1,435,000,000 bushels but that corn and oats crops would be smaller this year than last. The continued heavy export call, together with expectations of increased domestic consumption for livestock feed and the lack of heavy hedging sales held up the demand for wheat. Reacting to further unfavorable crop comments, July corn advanced to $2.21 a bushel, the highest price on record. The domestic demand for flour increased slightly during the week with hard Winter wheat flours comprising a large portion of the bookings in most sections of the country. Trading was particularly active in the Southwest and mills in that area were sold well above capacity. The expected corn shortage and consequent lighter weights of livestock caused lard prices to edge slightly higher during the week, with net gains ranging from .05 to 1.25 cents per pound. Reports from most sections of the country indicated that lard stocks in storage continued to increase.

Cotton prices in the domestic market were strengthened during the week, largely influenced by a report from the Department of Agriculture on Tuesday of last week which stated that plantings totaled several hundred thousand acres less than had been generally expected. According to the Crop Reporting Board of the Bureau of Agricultural Economics, cotton acreage in cultivation as of July 1 was estimated to be 21,389,000 acres. The belief had been that acreage for the new crop would be about 22,000,000. Reports of weevil infestation in the eastern section of the cotton belt and talk of a further increase in parity for cotton also contributed to the rise. Spot market sales remained small in volume but increased mill interest in new crop shipments was reported. Activity in the carded cotton gray goods market declined slightly. Substantial quantities of print cloths and lighter weight sheetings were sold but the steadily advancing price of raw cotton caused some buyers to be hesitant in regard to long-term commitments.

Sales of fine and half-blood domestic wools featured trading in the Boston wool market during the past week. Fine choice 12-months Texas wools were still selling but offerings were selling but offerings were becoming limited. Worsted types remained in heavy demand, reflecting the extreme tightness in the supplies of finer type wools in foreign markets. The wool growing States also reported strong selling activity in both government-owned and free wools.

RETAIL AND WHOLESALE TRADE CONTINUES ADVANCE

Clearances and midsummer promotions advanced retail sales last week from 7 to 11% over the like week a year ago, according to Dun & Bradstreet, Inc., in its weekly survey of trade. Wholesale volume was also moderately higher.

The supply of food was plentiful and sales steady. Cold cuts, canned meats and cheaper cuts of fresh meat were sold in quantity. Turnover was rapid in dairy products, soft drinks and picnic items.

Clothing clearance sales were numerous and interest centered on beachwear and washable cotton dresses. Men's sportswear, lightweight suits and recreation clothing were in brisk demand.

Price cuts were sizable in novelty goods, handbags and costume jewelry, reflecting a decline in interest in notions, jewelry and toilet articles. Hosiery and lingerie were in heavy demand.

Known brands of refrigerators and washing machines continued short in many areas and the supply of small motors was limited.

Regional percentage increases for the week ending on Wednesday were estimated as follows: New England, 7 to 11; East, Northwest and Southwest, 6 to 10; Middle West, 8 to 12; South and Pacific Coast, 5 to 9.

Wholesale order volume continued to exceed that of the corresponding week last year. Meager supplies in some seasonal soft goods lines induced retailers to revise forward ordering policies and forward commitments, as a consequence, increased.

Apparel buyers were reported active with fall orders for new styles substantial. Mid-season, medium-priced sheer dresses were purchased in moderate volume. Lastex bathing suits were in good demand.

Over-all attendance of buyers decreased during the second week of the Chicago furniture show and buying was also reported slow at the Atlanta housewares show.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended July 12, 1947, increased 8% above the same period of last year. This compared with an increase of 8% the preceding week. For the four weeks ended July 12, 1947, sales increased by 5% and for the year to date by 10%.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period to July 12, 1947, increased 9% above the same period last year. This compared with an increase of 13% in the preceding week. For the four weeks ended July 12, 1947, sales rose 6% and for the year to date 9%.

Prosperity Dependent on Steady Capital Goods Production

(Continued from page 12)

$20 billion (from 1929 to 1932) taking per-worked annual productivity at about $2,000, is the best way to explain why in those same three years we came to have 10,000,000 unemployed.

Today our capital formation is at an annual rate of $55 billion. The decline this time might be of the order of $40 billion or double the $20 billion of the early 1930's.

Happening again, despite higher per - worker - productivity, that might again mean 10,000,000 unemployed, taking present per-worker productivity at $4,000.

But what are the component elements in this capital formation? What are the replacements for declines in any of these components which might be recommended? What are the stimulants which may be used to keep our capital formation high? Can we have a national blueprint which a free citizenry, understanding the necessary arithmetic, will support? Can their representatives legislate wisely to forestall the near fatal disease which such a free society may suffer — continuance of a hard core of unemployment?

The "Blueprint" of the Past

A comparison of the decline in the components of capital formation from 1929 to 1932, and of the gain in this capital formation for private account from the rates that prevailed in the second quarter of 1945 to the final quarter of 1946, throws light on this "jet propulsion element" in our great industrial economy:

(Annual rates in billions of dollars)

Components of Private Capital Formation	Decline in the "Great Depression" (year) 1929	(year) 1932	Recovery in the "Reconv's'n Period" (2nd qtr.) 1945	(4th qtr.) 1946
Construction	$ 8.3	$ 1.8	$ 2.2	$ 8.8
Producers' equipment	7.3	2.4	6.1	15.6
Investment in inventories	1.6	—2.3	—0.7	9.7
Net exports	0.6	0.2	—0.9	3.8
Consumer purchase of durables	9.9	4.2	7.1	16.1
Total capital formation	$27.7	$ 6.3	$13.8	$54.6

In 1929, at then existing price levels, private capital formation of $28 billion combined with $64 billions of production of consumers' non-durable goods and services and about $8 billion in outlays of *all* government yielded full employment for the then much smaller labor force of less than 50,000,000 and a total gross national product of an even $100,000,000,000. That total product and its component of private capital formation are each twice as high today. Today we have over-full employment, much higher prices, and a labor force enlarged by almost one-third!

By far the heaviest single cause of the 10,000,000 unemployment in the mid-'30s was the more than $20 billion decline in private capital formation.

Again, it was the very low rate of private capital formation in the second quarter of 1945 which permitted the peak war production in that quarter. But the huge recovery in private capital formation to a rate of $55 billion last year, more than any other factor, accomplished the successful recovery of American industry to employ practically the last man in today's labor force of about 60,000,000.

Allowing for further enlargement of the labor force and increased productivity, the problem of maintaining high productive employment in the United States is mostly the problem of maintaining capital formation at a level in excess of $50 billion. If we do that, we shall likely have a gross product of $200 billion.

But this is certainly not going to be easy. There is still far too much objection to developing and using techniques for maintenance of capital formation—private and public. What are they?

The need for exploring the new channels for capital formation grows out of the fact that industry is going to get its factories rather completely built and speedily equipped in the next few years.* Industry is now engaged in a tremendous spurt to build and equip these factories to maintain competitive positions and to produce for the American consumer the greatly enlarged flow of products he wants all at once and is able fully to pay for.

In contrast, our net exports will be substantially larger.

In fact, it is these net exports, more than any other single factor, which account for the absence of the widely predicted recession whose time schedule has called for its arrival precisely "in the here and now."

At the same time, inflation, which has thus tended to be induced by this vigorous increase in exports, has been held back as much as it has mostly owing to the heavy hand of the federal tax gatherer.

But that heavy hand no doubt has been needed and if it has assisted in controlling prices, no hand that could have accomplished that could be described by anything but "heavy."

Heavy hands may be necessary, though they certainly may not be liked in complex economies. They don't mean anything to subsistence. There always is felt the heavy hand of starvation.

Finally, consumers' purchase of durable goods has passed by 60% the high levels of both 1929 and 1941. In the near-term future, a still further increase is possible in this most important form of consumer investment.

Because further stimulation of exports and further enlargement of consumers' purchase of durables—if the consumers' durables can be made available by elimination of material and labor bottlenecks—any near, future appreciable amount of unemployment does not seem likely. If price and other necessary economic adjustments intervene during this period — they certainly should be welcomed because they do not foretell any sustained unemployment.

In the longer run, both industry and consumers are going "to catch up" with their heavy present demands for capital replacement. After four, five, or six years of capital formation at the rates measured above, a decline in these rates ranging between $20 and $40 billion might occur *without any reduction in the ability of industry to produce for current consumption nor in the enjoyments of services consumers then may secure from the large stock of durable goods they will then own.*

To use a long phrase, consumers and producers may "postpone their purchase of durable goods and construction." To a great many workers, this long phrase is just a hard way of spelling a single, dread word. That word is "unemployment."

What should be done to forestall the likelihood that it will threaten?

*Included further in industry investment is the very great past year's enlargement of inventories. This, of course, will not continue.

A Blueprint or Budget for the Future

In a complex world, there has been no more useful procedure and analytical tool, for purposeful human control, than the budget or blueprint. Building a battleship requires two carloads of them.

They need development in great detail to solve the far more difficult problem of sustaining a high peacetime capital formation.

I certainly cannot propose but a small part of what should be done. I hope the Joint Committee succeeds in getting a well-rounded picture of all our needs.

But I do want to recommend a "concern" for, and to urge the continuous development of three types of plans for "bringing in," as they may prove to be needed, new large amounts of wanted capital formation—wanted for their own sake and for maintaining a high level, productive economy for the United States.

Here are the three types of plans:

(1) The need of plans to promote residential construction and urban redevelopment in an amount ranging between $5 and $10 billion annually.

The most obvious and most desirable form of capital formation now needed and wanted in the United States in larger amount is residential construction. But it is lagging badly.

Despite a far more powerful economy now than 23 years ago after the last war, we failed last year to build more than 600,000 family dwelling units. The figure was almost 50% higher in the corresponding period after the last war. This time it should be 50% higher, not way below earlier results.

Ten years or so ago Congress, after exhaustive investigations, placed the capital markets under adequate national control.

Now one can certainly urge, and with far more force, that there should now be a complete Congressional investigation of the construction industry. Methods then could be developed to encourage an orderly behavior for that industry and steady employment for workers in it, just as in the earlier period orderly rules and procedure were laid down for the capital markets in the field of finance instead of construction.

I think the Joint Committee should urge and forward plans so that we may soon come upon the ways and means to build 1,500,000 houses a year and certainly that number in every year of a future business recession. We need them. I suppose, though I am not at all certain this is the best analysis, that here there will be two main stumbling blocks: The first will be the very high cost of construction. The second will be that we simply have not yet learned at all how to rebuild our cities. We just let them rot—despite the fact that now it is in cities that most Americans now live.

One example is available in Minnesota. Bids were asked by our State University, at which I teach, for two and three-room apartment, simple barracks-like buildings, having direct exits, provided with no public space, frills, etc.

These were intended to be built for married GIs and younger married members of the teaching staff. After complete elimination of all unneeded appurtenances for so transient a group, the bids for building and equipment came out no less than $8,550 per apartment.

Such a figure, transposed to an ordinary tax-paying basis (the University receives tax-exemption for such essential housing) an income of more than $4,500 per year would be required to enjoy the unluxurious, confining living accommodations represented by a two or three room barracks-like apartment.

Such a situation needs correction in Minnesota. I suspect it needs that all over the United States.

In Minneapolis a Mayor's Commission, of which I am a member, has been engaged upon a search for new revenue sources for our city.

Our tax rates have increased sharply. As a result, property seems literally to flee the city. As a result, our total tax revenues increase not at all. In fact, in the past 15 years or so, the tax rate in Minneapolis (quite exclusive of our homestead exemption) has risen from below 90 mills to more than 120 mills. That increase in the rate has only offset the substantial decline in our tax base from $300 million to $240 millions (the value of appraised property within the city upon our 35% appraisal basis for tax purposes).

Just as there is no way in which taxes can be reduced at the Federal level with financial safety, unless we maintain a high national income for the people of the United States, there seems no way we in Minneapolis can lower the heavy burden of our taxes without that rebuilding of the city which restores to our tax rolls much new property. Only that can offset the depreciation of old property which yields less and less in taxes and costs more and more for city services.

These are a few of the reasons why I believe the most important single step to maintain substantial high level employment in the United States (and to build homes for our people) is to come upon a plan whereby residential construction and urban redevelopment can be markedly encouraged so that this form of capital formation can succeed to any decline which may come in other component elements of private capital formation.

(2) The need of plans in an amount between $2½ and $5 billion annually to promote highway building.

In mileage, most of the highways of the United States, if they ever were built to a condition deserving of being called highways, have become obsolete.

Five or six years ago I said the people of the United States, when the war should end, would want new automobiles to run upon such highways as we might still have, rather than want new highways without new automobiles to run upon them.

Certainly, we properly have given private capital formation the right of way. But it soon may have done its job. New forms of desirable activity must be found.

It has always been puzzling to me that there can be any difference between the desirability of automobiles in which we ride and the desirability of highways upon which we ride. Yet I find the business community frequently has a sharp ideological oppostion to building the highways and finds virtue only in a non-governmental product. A contrary argument, carrying conviction with me, is the following:

If an individual in this postwar period buys two automobiles, he may borrow a total of $3,000 to finance this purchase. That use of credit buys cars for him, stimulates business for others, gives jobs to workers and permits them to buy meat and potatoes, apparel and perhaps automobiles for themselves as well.

But in a few years after the war, the individuals buying automobiles pay off the debts incurred. But since their autos are still quite new, they now would like new and better highways upon which to travel to the more places their higher income will permit them to go.

These car buyers, however, do not find highways for sale at the neighborhood store, or at the five-and-dime, or at any supermarket. The only provider of highways appears to be, not private enterprise, but government.

Therefore, these individuals ask government to provide the additional highways they and 20 or 30 million other purchasers of new automobiles want. Government replies that it takes money to pay for highways. The would-be purchasers of highways, who would like to do more of their driving removed by more than 18 inches from sudden death, urge that government build the highways and borrow, of course, if it is necessary to do so, just as they borrowed to buy their automobiles.

Such borrowing, which might amount to $300 per automobile owner, provides a commodity that is equally wanted, one that stimulates private enterprise all around, and that provides jobs for more in the machinery, cement and highway construction trades. (It also lets the automobile and truck and all who ride in them do a better job.) Those jobs, as in the case of the purchase of a new automobile, permit workers to purchase meat and potatoes, apparel and to buy new automobiles as well as even to pay for the debt incurred for the new highways themselves.

Certainly, when we have the many new automobiles the industry is increasingly producing, we should be able, out of any idle resources that may later appear, to provide the then wanted highways. In fact, a program for $15 billion of highway construction ($300 for each of 30,000,000 auto owners) over three years of a period of business inactivity, would involve a total annual cost not in excess of $560 million (including amortization of the highways).

Such an amount is only $4 per American per year. Is it too much to ask that cooperation of cities, counties, States and towns be enlisted in an expanded Federal plan devised now while we have the time but, happily, not the need? This can assure us that these capital improvements, so befitting the nation with the greatest capital producing ability in the world's history will yield us better highways and over 1,000,000 jobs when we shall need them.

(3) The need of stimulating action indirectly to induce expansion of capital formation.

In my view, it will be increasingly necessary for official planning organizations, such as the Joint Committee on the Economic Report, to make schedules of all capital formation outlets and their amounts as they may be currently changing either disparately or in general up and down movements.

This, without conscious planning, has happened during the first half of the present year when an expansion of our net exports has offset any decline in the rate of increased inventory investment.

In a complex economy, in which all capital formation is so important and may be subject to far wider swings than we have known in the past, all component elements should be charted. Without available detail, these have been listed above in this statement. They cover investment in construction in producers' durable equipment and in consumers' durable goods, over and above the investment now mentioned in inventories and net exports.

With these capital formation magnitudes given and charted, it next becomes necessary to find what stimulating arrangements—over and above such specific encouragements as building and urban redevelopment and highway construction — can induce the wanted compensating upward movements in these items or other items of capital formation.

What are some of these stimulating devices?

(1) Reduction in the personal income tax: This permits consumption to be enlarged right at

home by each and every American tax-paying family.

(2) Reduction in the corporate income tax: This, if planned for early in a time of less-than-average business activity, will encourage somewhat lowered prices for the products of industry, somewhat improved wages for the workers in industry, and somewhat larger investment in capital facilities by industry.

(3) The regulation of the volume of credit: In terms of Regulation W (covering consumer installment credit) there appears to be no desire to continue such authority to contract credit. But it certainly must be recognized that the rather substantial expansion in all forms of bank credit since the end of the war has contributed in the direction of inflation precisely as did the expansion of government credit in the wartime period. It is not a case of the one always being good and the other bad. Each must be used judiciously.

(4) Flexibility in wages and prices: Though the powerful labor organizations at the present time seem determined to secure higher wages even at the cost of higher prices, it should not be impossible that the spiraling wage and price increases will soon teach a different view. The plain arithmetic of those increases in 1946 (whatever the final arithmetic shows for 1947) was that the 18½-cent national pattern of wage increase yielded a worker, if he got it, $370 a year. Against this, there were offsets, for illustration somewhat as follows:

(a) Increased witholding taxes, $55;

(b) Increased price of his own product, say an auto, $90;

(c) Increased price of the product of the other worker whose commodity rose in price as his wages were increased, $90;

(d) Increased cost of foods due to the wage price increase causing an automatic increase in farm parity prices, $90.

The foregoing losses are in addition to those calculated by Sumner Slichter, made up of the actual money income lost during the strike and usually measured in terms of the number of months or years of wage increase required just to offset the loss in wages during strike idleness.

(5) Accompanying the rapid gain in knowledge of the arithmetic of production and prices and wages, we should be able to expect greatly improved co-operation between labor and management by which alone welfare advances can be won for labor and all the American people.

Conclusion

In summary, the following conclusions are presented:

(1) There appears to me no need for the application of anti-depression policies in the near future. A high tide of productive and employment activity is in prospect. Economic correction should primarily come in terms of price adjustment. That is desirable. It is our society's way of guiding our men and our resources from places where they are less desired to places where they are more wanted.

(2) Next is needed a widespread understanding of the fact that modern *industrial* economies are *vulnerable* in a way all economies up to a hundred years ago were not. They are vulnerable to great declines in employment that come, about 80%, because capital formation can abruptly decline without injury to industry's ability to produce current consumption goods and without a decline in the flow of consumption or satisfactions from consumers' hitherto-accumulated stock of all goods, but especially durable goods.

(3) From No. 2 it follows that we should concentrate our planning and energies in peace as in war, upon the seady production of a high total of durable and capital goods.

(4) But what is most needed, in the interests of stability, is the understanding that all groups must cooperate to make a free economy work and to make it always be the most productive in goods and jobs. Workers should plan for healthy industrial profits. Industrialists should plan for steady well-paying jobs. Congress should plan the willing use of the Federal Government's great powers to promote capital formation without which there can be neither full employment nor material prosperity. At a later date, more emphasis may be considered for schemes that operate directly to sustain purchasing power. They are not needed today.

A Program for Public Debt Management

(Continued from page 10)

people of the day almost unbearable. In some countries and at some times the fear was justified, and the value of the currency collapsed. The United States has in the past borne its debts well, and the main reason is clear; the force of enterprise has been so powerful and the growth of production and income so rapid that they provided the means to pay debt charges.

Today's debts are heavier absolutely and relatively, and we must summon to their payment our full resources of energy and ingenuity. But we cannot do this if energy and ingenuity are held in leash by government tax policies. This country has an enormous potential. Our heritage and tradition of private enterprise has developed powers of productivity never known before. But our problem is to release and stimulate these resources, for that is our one best hope to satisfy this debt without serious damage. Also production provides the goods people can buy with their expanded money supply and helps restore the balance of money and goods.

The greatest handicap to productivity in the United States is probably taxes. Progress depends on the full blossoming of the energies of millions of business leaders, on their extra exertion, their extra concentration. The present tax system penalizes extra effort—lessens the incentive for going the extra mile. As a wartime measure high tax rates could not be avoided; in time of peace and facing our present tasks they ought to be reduced promptly.

There may seem to be a certain contradiction in a program of reducing taxes at a time when debt reduction is so demanding, but we can do both if we control spending. Above all it must be remembered that the objective is dynamics. If the reductions renew incentive, and restimulate enterprise they will pay or more than pay for themselves. It was so in the '20's after World War I. Reductions of tax rates were followed by increasing tax yields.

There are of course other brakes on enterprise that need attention, but the tax brake is probably the most powerful and is the easiest to release.

5. Unfreeze Interest Rates

Interest rates have two great economic functions which they cannot fulfill without some flexibility of movement.

One of these functions is the adjustment of the supply of savings to the amount required for a dynamic economy. At the moment there appears to be a glut of money fed from the wartime stream of bank credit. But in the long run a fair price for money—that is a reasonably high interest rate—is one of the ways to ensure a flow of needed savings.

The second and more immediate function of the interest rate is as one of the controllers of the flow of credit. In the old days booms were checked when money ran out—and the signal was a rise in money rates. Today this whole mechanism is dominated by the Central Bank and the Treasury in each country. But even Central Banks and Treasuries can't have their cake and eat it too; they can't exercise controls over excessive credit expansion and at the same time keep money dirt cheap for government borrowing.

If we are to avoid the great swings of the business cycle that do so much damage, we must stop freezing interest rates. We can't afford to throw overboard the response money rates naturally make to over-extension of credit.

These then are the essential things we must do as a nation if we wish to stay in control of our national debt: We must cut down the budget so that we stop increasing the debt and begin to pay it off. We must distribute the debt just as widely as possible into the hands of investors and so reduce the inflationary money supply that goes with a floating debt. We must take every possible step to preserve and to increase the dynamic energy of our economic life; for that will make the burden of the debt easier to bear and will maintain our American heritage of freedom. This will mean reducing taxes and unfreezing interest rates. If we do these things we can grow up to and handle successfully even the present large debt.

Britain's Economic Planning Carried to Unjustifiable Extreme

(Continued from first page)

avoided ere this. Further: the dependence of Britain upon foodstuffs and raw materials from overseas has left her with little choice of trade policy under existing circumstances.

Opportunities for Subtle Minds

There can be no doubt that controls have also been used for other than these perhaps unassailable ends. The subtler minds in the Labor Cabinet would certainly lose no opportunity of imposing, under the plea of alleged economic necessity, any check to capitalism that offered itself. What is better for this purpose than some regulation whose purport only the imposers and the persons most affected fully understand?

These Machiavellian resorts were more evident in the early days of the Labor Government than they are at present; for with the passing of time the welter of official dos and do nots has become a byword, even among those who returned the Labor Party to power. The popular journals record with painful humor not only the thwarted efforts of the business man, but the tangled skeins which have to be unwoven before the ordinary man can have the repairs done which are necessary to the decencies, let alone the amenities of life. Satirical depictions such as these are far more telling than the indignant utterance of peer or prelate.

Sensitive of the widespread ridicule to which the bureaucratic delay and interference are now being subjected, the British Prime Minister has been faced with the necessity of giving at least the appearance of a constructive turn to the activities of those who deluge the country with forms. Accordingly, everyone is now invited to forget, even when waiting in a queue for he knows not what, the innumerable embarrassing details of the daily round, the common task, which do not furnish all he need to ask. He is requested to place in his mind an idea which, once its beauty is perceived, will allow no room for the presence of shadows. This idea is nothing less than National Planning. If the objection is churlishly raised that these words have been heard before, then the soothing reply is made that, if it is preferred, then by all means let the word Centralization be enshrined instead.

Now that words—some words—have an evocative power is not to be denied. There is the illustrious example of one, Ali Baba, who with "Open Sesame!" caused the robbers' cave to open and yield up its wealth. But Ali lived a long time ago, and, at the other end of the scale—and much more recent—is Hotspur, who declared that anyone can call spirits from the vasty deep, but who doubted whether any response would be forthcoming.

With Measured Step and Slow

What is this national planning which is proposed for Britain? Is it some truly creative idea which is to be put into practice in conditions of maximum freedom? Or is it to be a consolidation of the 10,000 and 1 regulations which, in the state of multifariousness in which they now are, threaten the even tenor of the governmental as well as of the public way? Is the Briton when he sets out on some enterprise not to be told that he is infringing Regulation ZYAD. cmb. 897,321 subsection 3a, with or without an asterisk, but only to be held back by a gentle reminder that what he proposes to venture would not be in accord with national planning? Such a change would introduce a note of seeming simplicity, but the average person might prefer a certain amount of complexity rather than be deprived of all power to jump for joy at the sight of legitimate business rewards ahead.

Some idea of what national planning is to mean can be gained from a statement by Mr. Attlee who, when asked whether the pair of supreme planners he has appointed would be free to carry out their own ideas replied that they certainly would, provided that their ideas were in accordance with those of the government. By the same process of argument the business man will be welcome to carry out his ideas provided that they are in accordance with those of the planners and since, as we have already seen, the ideas of the latter must be those of the government, the circle will be complete.

The Economics of Circledom

The circular life, economic or otherwise, has its own charm, especially when you are rounding the corners which are not there. As you gracefully glide, the illusion grows that you are overcoming stubborn obstacle after stubborn obstacle and you are sublimely oblivious to the fact that the same ground is being covered over and over again. Your weight steadily decreases. The sense of apparent deliverance may occasion you to re-echo that life is sweet, that there are sun, moon and stars, brother, and the wind on the heath. The sun, moon, stars and the heath may be there; but actually there is no wind, 'tis but merely your labored breath.

Every business man worth his bank balance knows that it is fatal to make a fetish of centralization. The idea is one, which if carried to the extreme of worship, places too great a burden upon the few. The centripetallists cannot do practical outward justice to the administration of which they are, theoretically, in charge. That a man may have a genius for a particular kind of business and that this may reflect his personality through all its operations is a different story. So it is also that a concern may sometimes be literally "a one-man business." National planning is being put forward in Britain as a remedy for all her ills, and it is for this reason that it is loftily assumed that all the regulations attendant upon national topiary should be accepted without question.

Now it is obvious that planning in order to be national must be directed by a national government; it cannot be the result of the labors of two men who have been appointed by a Socialist Government on the understanding that they carry out that government's branded policy. That there is a non-business field for national planning, all will agree; but it is essential with regard to this concept to recognize its limitations and to leave as much room as possible for the exercise of individual initiative. But the national planning heads (it is a consolation that two heads are deemed even by a Socialist Government to be better than one) have been given a brief beyond this. The gentlemen thus elevated are to look down upon the economic scene and according to what it reveals, or is thought to reveal, are to suggest to the government the taking of various steps. The movements may be forward, backward, left, or if the surveyors prove to be bold men, even to the Right; but, as we have seen, the government is under no obligation to accept unpalatable recommendations. Such a policy is based upon the dogma that everything, excepting the weather, is ultimately in the hands of the government or can be made to become so. Its carrying out implies a slowing of the tempo of industrial and commercial life. However suddenly edicts may be issued they will have been the fruit of committee labors which, in linked sweetness or unsweetness, have been often very long drawn out. Who will be disposed to use his brain until he is certain that he is not to lose his head? Clearly, too, the hesitancy to launch out which the British business men at present feels must deepen as the danger increases of his actions being construed as against the interests of national planning.

Meanwhile, some British business men, having lost much of their former zest and not knowing how to regain it, are tempted to sit on government bodies destined, so it is fondly believed, to promote prosperity. It is something to do, shows a patriotic spirit, confers a semblance of prestige and may bring some kind of reward when the lengthy Honors Lists appear. But this attitude is far from general: it will be still less in evidence once the business world is given an inspring lead, political or other and the banner bearing the slogan "The Difficulties of the Transition Period Must Not Be Accentuated" is relegated to the museum vaults.

Joins Mesirow Staff

Special to THE FINANCIAL CHRONICLE

CHICAGO, ILL.—Edna E. Fox has become connected with Norman Mesirow, 135 South La Salle Street. Mrs. Fox was previously with Shields & Co.

With Paine, Webber Firm

Special to THE FINANCIAL CHRONICLE

CHICAGO, ILL.—Harry N. Gifford, Jr. and Loren D. Saltzman have joined the staff of Paine, Webber, Jackson & Curtis, 209 South La Salle Street.

Universal Military Training—Step Toward Statism

(Continued from page 3)

who is in "public service," and none to tell about the woman in "home service."

Reasons for Lack of Opposition

We come now to the lack of organized opposition to universal military training. Parents seemingly are becoming more and more reluctant to take the responsibility of raising their own children. From baby sitters to mind their babies, they would like to have the United States government mind their teenagers and potential juvenile delinquents. It will give them, the parents, more "time out."

If you are not able to send your boy off to college or military school, during the period in which he is likely to prove most troublesome, what better than to turn him over to Uncle Sam? You can do this, under the current movement, in a patriotic light.

It is utter bunk that he will be helped by this training, particularly in peace times. Neither is he likely to be hurt. But he will be away from home for a period and somebody else's responsibility, so why not send him off.

The point is made, of course, that he will be made physically perfect. He will be required to exercise.

I am reminded of the first woman "racketeer" I ever knew, a delightful person. She was the physical instructor in the graded schools of my home town and her duties were to come into our classes in the early morning and make us bend this way and that way, with a view to getting exercise. What the bright minds figured that we young animals did when we were out of class, is something I'd like to know.

Youngsters Provide Own Exercise

The point is that it doesn't require the United States Army to give youngsters exercise. And, in peace time, they don't give them military training. In proof of this, you have only to look at the "splendid condition" of the French conscripts, or at our own boys who for the first time in our history were drafted in peacetime, in 1940, who drilled with wooden guns and were awakened by alarm clocks and figurative valets.

It takes the grim business of war to train boys for war. But in the meantime, universal military training will maintain the tremendous industry of brass hats and the high appropriations in which they like to revel. And it will get the boys away from home and relieve the parents of their natural responsibilities. It is absurd to say that people in this mood will long escape complete statism.

Business Perspectives

(Continued from page 15)

tive working basis between labor and management, whose productivity has risen steadily over the years. Despite temporary difficulties, we have made great progress in labor relations, in the use of non-wage incentives to productivity, in improved administrative techniques, and in education for management and employee training. Under our free competitive system of enterprise, which assures the highest achievement at least expense, both management and labor have grown proficient and prosperous and are becoming increasingly conscious of their social responsibilities.

Our record of achievement is the answer to those who doubt the efficacy of our system and are conspiring to undermine it. It is this system that has furnished billions of dollars to our allies through lend-lease operations; that has contributed almost three-fourths to the resources of UNRRA; that has delivered almost 18.5 million long tons of grain and other food to all parts of the world during the past 12 months; and that is now contributing to the feeding and rehabilitation of the starving people abroad. Our purpose in doing this is to alleviate human suffering and to restore human vitality, so that the war-stricken people can help themselves to come back and rebuild their means of livelihood.

We have demonstrated that this system of ours works, that its general effect is to raise living standards, and that it provides broader opportunities for all than any other system known to us. In its growth it has shown two extremely important characterisitcs. First, the course of progress has not been smooth. It has been interrupted from time to time by business depressions—some mild, some serious—resulting in unemployment and hardship. This continues to be a serious problem. Second—a favorable characteristic—our tremendous output has taken the form of mass production—production for the people. Just before World War II, mass production meant 420 million pairs of shoes a year, 13 million radios a year, over 300,000 automobiles and refrigerators every month, 35,000 vacuum cleaners every week. These totals are truly indicative of a democratic economy and will continue to be even more eloquent of our dynamic organization in the future. By making it possible for the people to enjoy the fruits of their own labor, a free system is able to maintain a continuous process of growth. This fact is self-evident to us who are bred and reared in the climate of economic freedom. But it is not so to others. The history of declining civilizations in the past, as well as the turmoil throughout the present-day world, provides ample illustrations of that fact.

Wartime Effects on the Economy

With the economic strength and great vitality of our people and institutions, we were able to wage and win the most destructive war in history. It was a gigantic effort, and it has had a far-reaching effect upon our economy. It created many distortions, upset many of our standards of thinking and doing things, imposed a heavy drain on our resources and made us poorer in spite of the big dollar figures that we have come to toss around rather freely.

Over the war and reconversion years—from 1939 to the present—we have had a rapid and sustained rise in the dollar accounts of our economic system. We are now used to talking in terms of billions of dollars when we speak about national affairs; in fact, a million dollars seems hardly worth mentioning any more. The recent totals of the economic series which we customarily use to measure our progress seem to dwarf the conceptions that we held only a few years ago.

Gross national product, a measure of all goods and services produced, increased from $89 billion in 1939 to $194 billion in 1946. Currently it is running at a rate in excess of $200 billion. Income payments to individuals, a very important measure because it is indicative of buying ability, rose from $71 billion to $165 billion—an increase of 130%. Now it is running at an annual rate of over $180 billion. The dollar value of retail sales in 1946 was more than double the 1939 level, and the liquid asset holdings of individuals and businesses—cash, deposits, and Government securities—have risen by almost 250%.

The constant repetition of these dollar figures is somewhat puzzling to all of us. We are still experiencing shortages and scarcities of materials, and those goods which can be purchased are extremely costly. Despite the authority of statistics, we have all been wondering just how well off we really are—specifically, how much better off we are now than before the war.

The key to the apparent contradiction between current figures and every-day experience is, of course, the level of prices. The purchasing power of the dollar now is considerably less than it was in 1939. For example, if we deflate the dollar volume by the amount of price advance, our retail sales of $96 billion in 1946 shrinks to something like $60 billion in 1939 dollars. Recently the volume of physical goods sales, far from being 150% above the pre-war average as the dollar figures indicate, was only a little over 40% larger. What it all amounts to is that we handle large amounts of money, but the purchasing power of that money has been greatly reduced through increased prices of everything we buy.

The basic explanation for the discrepancy between our physical well-being and the dollar measures of our national prosperity lies, of course, in the war itself. An inevitable consequence of war is the creation of a vast supply of money and other liquid assets, and the exposure of the economy to the threat of serious inflation through the lack of goods for purchase. The amounts of liquid assets created during the war exceeded all previous records, and the volume is likely to continue very large for many years.

One result of policies adopted to facilitate war financing was a great increase in bank holdings of government securities. From the middle of 1940 to the end of 1945 the Treasury raised $383 billion. Over 40%, or $153 billion, of this amount came from taxes. About $230 billion was obtained by borrowing, $100 billion of which came from the banking system—commercial banks, Federal Reserve Banks, and mutual savings banks. The net result of this staggering record is a superabundance of money supply created through expansion in the public debt, which at present is upward of $258 billion. It can be reduced only through contraction of that debt or by a shift from banks to other investors. But such changes can only take place very slowly. To bring them about and at the same time maintain a reasonable degree of stability in the government securities market are the major post-war monetary and fiscal problems.

We have heard a lot about liquid assets and their potentialities, often without an adequate explanation of what they really are. In effect, they are the obverse of the public debt. They are not in themselves real wealth. They added little to our stock of goods; most of what we produced was blown to smithereens. If these assets, however, are properly used, they may, in the future, help to sustain high levels of business activity; but money in the bank or bonds in a safe deposit box are of little help in obtaining refrigerators that are bottled up in warehouses for want of electric motors. It is in terms of production that our physical well-being must be measured. Dollar relationships are important in a price economy, but it is physical quantities that are the ultimate measures of our economic progress.

Strides Made Since the War

But, even allowing for higher prices, we are producing goods of all types at the highest peacetime rate. Current industrial production is running at about 190% of the 1935-39 average. Our industry has been able to absorb most of the veterans released from the armed services. Out of the total civilian labor force of almost 60½ million, close to 59 million men and women are working and receiving relatively large incomes, according to the U. S. Employment Service. The pent-up demand for goods and services is very large and will continue large for some time to come. While we may not be so well off as many of the dollar records indicate, we are much better off as a nation than ever before in history.

The exact level of production and income that we have already reached probably should not be a great cause for concern. The important thing is that we are still growing, and we shall certainly surpass the present limits of our abilities. The most significant and heartening thing about our present situation is the degree of resiliency demonstrated by our economy since the war.

All in all, we have made a remarkable recovery. You remember the predictions that were made at the end of the war concerning our prospects for the reconversion period. "Eight million unemployed by spring" was the consensus among many observers of high standing. There were many others, however, who had confidence in our ability to make speedy adjustments, and their judgment was justified.

It is a matter of record now that the physical reconversion period was short. In fact, factory employment was maintained without widespread interruption, although there was considerable shifting among industries. Consumer expenditures, which were expected to decline when wartime pay rates were no longer in force, rose to new records. The reappearance of scarce goods on dealers' shelves and the backlog of savings were stimulating factors which pushed retail sales above normal expectations. Instead of general unemployment there were shortages of labor in many trades. Capital expenditures are being made as rapidly as equipment becomes available. We are in a boom period.

Since the stock market slump last fall there have been new predictions of a business recession. Expectations vary as to its seriousness, but there is evidence to show that considerable readjustment is now under way. Corrections in many areas are inevitable and seem to be now in process. For example, many food prices—except beef—have been softening, the market for luxury goods and women's clothing certainly has softened, and there are definite signs that the real estate market has leveled off. The consumers' price index of the Department of Labor has ceased rising. These signs do not prove the predictions right or wrong. Certainly, they do not indicate that a serious business slump is inevitable. There are, of course, elements of unbalance in the present situation.

Wage-price relationships are of crucial importance. Our greatest danger in this respect is that of generating an ascending spiral of wage and price increases. The coal industry is the latest example of this possibility. Part of this problem, of course, arises out of reconversion difficulties and a concomitant decrease in working efficiency. It has taken some time to perfect new assembly lines and to re-train new workers; uneven flow of raw materials has frequently interrupted production. But there are indications that many of these problems have been surmounted and that the efficiency of production is rising, a trend which, in the past, has made it possible to raise our real purchasing power and thus advance our living standards.

Labor and management on the whole are showing more moderate and conciliatory attitudes. Collective bargaining is becoming more effective as an instrument of industrial peace. This is as it should be. We can keep on an even keel only through intelligent cooperation and recognition of the mutual requirements of all those who make our economy tick so effectively.

In spite of frequent irrational attitudes here and there, we are making considerable progress in bettering human relationships through scientific research and constant improvement in administrative techniques, standards and training methods. Increasing recognition also is being given to the interdependence of all of us—investors, managements, labor, consumers, and the general public in a free economy based on private initiative, effort and venturesomeness. These encouraging developments may not be apparent to many, but they are real and promising nonetheless. They reflect enlightened leadership that is so necessary to give and sustain real substance to the workings of democratic institutions.

In the general business field, as in banking, there are many soothsayers who insist that we are on the verge of a drastic recession, which means a sharp drop in production, employment and income. With the authority of statistics or a proper twist of a divining rod, they see in the present situation a pattern that is comparable to that of 1920-21, leading to a similar bust and heavy losses. I seriously question the accuracy of this evaluation or divination of the developing conditions particularly in the light of earlier guesses on unemployment.

I believe that a normal balance in the economy will be restored through an orderly readjustment. Such a readjustment, in fact, has been in progress for some time in many individual industries, particularly in the so-called soft goods lines. This trend toward more normal relationships is especially noticeable in retail channels, both durable and non-durable consumers' goods. Of course, it will take time—six months or twelve months—but the ability of the free economy to bring about order out of wartime distortions is likely to be greater than many think it is. The very awareness of the transition difficulties puts us on guard against talking ourselves into a severe depression. Moreover, the existence of a large volume of money supply and of liquid assets would militate against serious recession and favor a vigorous revival in business activity.

Concluding Comments

The painful period through which we are passing is the usual

sequel to every major war. The return to peace is full of perplexities, but it is not as hopeless as some seem to think. Our own emergence from the business of destruction to peaceful pursuits has been more orderly and effective than we really could have anticipated.

Despite many danger signs, we are making effective headway in restoring gradually some balance in the economy. Our labor-management relations have improved considerably, and the efficiency of production has been growing rather rapidly, except for some disturbing areas. The situation in durable consumers' goods is improving with respect to both the supply of raw materials and finished products. Competition is already becoming keen so that the buyer is again becoming the monarch of the market and the seller is beginning to beat the bushes for orders.

There are, of course, many danger signs that must be heeded by businessmen and bankers. We are in a period when inventory policies must be conservative if losses are to be avoided. Business and banking must follow well-considered financial and credit policies. Financial budgeting has again become an essential part of every enterprise. Customary bank credit should not be expected to provide funds for capital expenditures, which should come from equities or long-term financing. Caution also must be the guide in extending credit on real estate as well as in the general consumer field where terms are soon likely to be relaxed. These are some of the obvious examples that should suggest warning signals to everyone of us. Until prices show convincing signs of better balance than at present, none of us should be expected to take blind chances or act recklessly in an inflationary period like the present. To ward off losses, the closest cooperation between lenders and borrowers is imperative.

The prospect before us is encouraging—at least on the domestic front. New and old markets for goods that we are capable of producing are promising. Take, for example, the housing situation, one of the most disturbing problems in the whole economy. We are very much behind in our present program, but look at the possibilities ahead. It is estimated that the number of family units will approach 40 million by 1950, as compared with less than 30 million in 1930. Official analyses show that 39% of our urban homes are unhealthful and unsafe, that it will require 12.6 million dwelling units in the next ten years to replace one-half of the substandard houses, or 1¼ million new units each year. Think of the household equipment, all sorts of electrical and other gadgets that will have to be produced to satisfy the needs of new and old families!

Another example is the industrial need for plant and equipment. This year our industries are spending at the rate of $14 billion for this purpose as compared with $12 billion last year and only $6.6 billion in 1945. This will enable us to produce goods to satisfy new demands and meet replacement needs of the people. Add to this domestic requirement demands for consumer and industrial products from abroad, and the volume of business in prospect should give us great hope for maintaining our production, employment and income at very high levels, indeed.

Current and accumulated assets, or the wherewithal of individuals, are growing, even though at a slower rate than during the war. Income payments are now running at the annual rate of $180 billion. Liquid assets already amassed are in the neighborhood of $150 billion, as compared with $46 billion in 1939. Savings, as shown by time deposits at commercial banks, mutual savings banks and postal savings, exceed $55 billion as against $27 billion before the war. This is certainly a favorable factor in the present situation and in the outlook for the morrow.

Our banking system is well prepared to serve and is serving industries and consumers. Loans of all banks at the end of last year exceeded $35 billion as compared with $22 billion just before the war. Consumer instalment credit is growing by leaps and bounds, the commercial banking share of it rising from $550 million in 1944 to $1.8 billion in March this year. Non-farm mortgage recordings have just about tripled since 1939, the part of commercial banks showing by far the greatest increase. These are but a few examples showing that banks are making a substantial contribution to the growth and development of our economy.

What it all adds up to is that our system of organization shows a remarkable degree of vigor, resourcefulness and elasticity. We have the energy and the know-how. Our ability to improve old methods and invent new ways knows no limit. Radar, electronics, plastics; better transportation and communication; and improved methods of distribution of what we produce are striking examples of our accomplishment. Our genius in peace as in war has conquered the past, and we need not despair of the future.

Our heritage and our record of achievement should sustain our spirit and our will to safeguard and enrich that which has already been attained through courage, vision and hard work. When brave men of all nations met in this city 171 years ago, they laid an unshakable foundation for a new race of men. They sacrificed their lives, their fortunes and their sacred honor that we might have a free and independent nation. Their consecration brought forth new light to the world and unfolded opportunities for all.

The crucial issue in the world today is the negation of this light and these opportunities. It is a fierce struggle of freedom against slavery, as it has been since the dawn of history. Individual freedom in many lands is blacked out, and in others it is fighting desperately for survival. This condition is contrary to our tradition; it is repugnant to our sensibility.

In this struggle of the free society against a society ruled by the tyranny of the police state, let us have faith in ourselves and in our great heritage, even as our forebears had faith in themselves and in the cause they pursued toward richer life of the coming generations.

Our national goal is truly voiced by the Federal Council of Churches of Christ in America in these ringing words:

"That goal is a world of free societies wherein all men as the children of God, are recognized to have certain basic rights, including liberty to hold and change beliefs and practices according to reason and conscience, freedom to differ even from their own government and immunity from persecution or coercion on account of spiritual or intellectual beliefs."

J. J. Kiser Dead

Julian J. Kiser, President of Kiser, Cohn & Shumaker, Inc., of Indianapolis, Ind., died of a heart attack at the age of 57. He was formerly Vice-President of the Myer-Kiser Bank of Indianapolis, and was admitted to the Indiana State Bar in 1908.

Slayton Co. Adds to Staff

Special to THE FINANCIAL CHRONICLE

ST. LOUIS, MO.—Edmund C. White has become affiliated with Slayton & Co., Inc., 408 Olive St.

Television—The Next Great American Industry

(Continued from page 13)

tive—and all of which were firmly disproved.

The economics of radio followed the sound, natural path made possible by our democratic system of free enterprise. And the success which radio broadcasting has achieved in this country is too obvious, especially to you gentlemen, to require emphasis.

Doubts on Television

Similar doubts, from time to time have been deliberately injected into the advance of television.

A year ago, after black and white television had proved fully acceptable, and long-awaited television service was ready for the public, the doubters wanted to wait for the advent of color television. This would have meant several years of delay, until the most practical systems of color broadcasting and reception could be developed. It would have caused confusion throughout the television industry. It would have undone much of the progress made by courageous pioneering companies to that time.

The Federal Communications Commission, after hearing the studied opinions of the bulk of the industry, the Television Broadcasters Association and the Radio Manufacturers Association, ruled, in effect, that color television had not reached a stage of development which permitted its commercial acceptance.

Color television, the entire industry agrees, will be a fact at some time in the future, probably some five or six years from now. In the meantime, the American public can be enjoying fine monochrome pictures, as pleasant to watch as those they see on the black-and-white screens of their favorite theatres.

The doubters have insisted that the economics of television programming make it impossible to operate as radio has done—that is, to finance programs by advertising. The doubters harp on their point that program sponsors cannot afford to match Hollywood's lavish productions. But who wants to provide an endless flow of super-colossal productions?

Our dissenters assume that all programming must be on a Hollywood spectacle scale. This, of course, need not be, and should not be. **If the only service television can offer is a duplication of motion picture services, then indeed this promising art will fall short of all that has been hoped of it.**

But we already have ample proof that television plays many other roles, and has many other services and advantages. Perhaps its greatest advantage is its immediacy. Civic events of high interest, functions of state on a national scale, sports events, concerts, county fairs and world fairs, home-town shows and network quiz shows, religious ceremonies and educational events—all are excellent program material.

In Indiana, any station that will telecast our high school basketball games two or three times a week will endear itself forever to the hearts of the citizens. And it will have 10 clients fighting to sponsor the shows.

One factor in the choice of Philadelphia for the Republican National Convention was its location as a part of the television network on the East Coast. It was foreseen that television will utilize the Presidential campaign of 1948 as major program material.

Here is immediacy. You, the viewer, see the event as it happens. You are a part of history at the moment it unfolds. This is the essence of television.

At the same time, good studio productions can be televised at relatively nominal cost. Granted that work in this direction has been of a pioneering nature—as it was in radio, motion pictures and every other new form of entertainment—many good studio programs **have** been presented. Viewer response, and the fact that these programs have won and maintained commercial sponsorship, are proof that real progress is being made.

The motion picture industry has been cautious in approaching television. This is understandable. In view of its tremendous investments, the picture industry has wanted to see whether television would be friend or foe before joining hands. The two fields actually are natural allies. And they are drawing closer together. This is evidenced by the growing interest, and expanding activity, of major film producers in various branches of the television field.

Radio, for many years, has been covering baseball games, races and prize fights. Now television is on the scene. Evidence indicates that, rather than causing declines in attendance, both services have tended to increase attendance at these events. The promoters of the events would not welcome them, if this were not so.

Now, with the color issue settled, our doubters are back with another plan to remake television in their own image. They propose to send a part of the television signals over wires—that part of the signals necessary to control your reception!

If such a system were technically possible on a national scale—which few agree that it is—who would hold this dictatorial power over your reception?

What manner of giant monopoly would this create?

The present suggestion, as I understand it, would send television pictures partly by radio waves and partly through telephone lines. Transmitters and receivers would be so keyed that some programs would be sent into the home under this control, and others by regular telecasting.

And what would be the purpose of all this? To improve reception? The art has long since advanced beyond the use of wires to carry signals into the home.

To give the set owner more for the price of his receiver?

No—the purpose would be to give the set owner less for the price of his receiver. It would be to make him pay for many programs received on his instrument. The telephone line would permit a metering of the programs for which he would be charged.

In other words, after paying for his receiver, he would have to pay again and again to use it. His cost would be a continuing cost, unless he were content to receive only those programs which the broadcasters felt obliged to give him free of charge.

Here, again, is the old bogey of early radio days.

As were such proposals then, it is impractical; it is unnecessary. The free program system of radio has proved fully successful, and satisfactory to all concerned, including the advertiser who pays the bill. Radio could not be the success it is if the advertiser had not realized long ago that returns on advertising by radio are good. He is learning now that returns on television will be even better.

The American people are accustomed to the radio way. They expect to turn on their receiver as they choose, and to enjoy any program they choose. They do not pay a tax; they drop no nickels in slots; they receive no bills from anyone. They expect the same of television, and they are going to get the same of television.

Will Pay Its Way

The television industry, broadcaster and manufacturer alike, has assumed without question that television will pay its own way, as radio has done. We have started on that path and we have no single reason to doubt that its ultimate success will equal—will surpass—that of radio.

Advertisers are showing their confidence in the American way of television. Sixty-two advertisers, including many of the nation's largest companies, are now sponsoring television programs. Only a short month ago that number was 46. So we have had an increase of 16 in 30 days—or 33%! And during the same time there was a seasonal decline in sponsorship of regular radio programs. Does this sound as if we need a new system whereby the set owner buys his program?

From the industry standpoint, selling receivers as home juke boxes would not increase sales. It would depress sales because the added costs of using the receivers would limit the homes that could afford them.

Free Reception Most Economical

From the broadcasters' viewpoint, the economics of pay-for-your-program system would be less likely to produce good shows than the system now established. Precedent indicates that broadcasting revenues would move down, not up. Recently four major radio networks released earnings reports. Three of them showed normal profit returns. One of them showed a deficit. The profitable networks were three American networks. The deficit was shown by the listener-supported Canadian Broadcasting Corporation.

This is not intended to be a reflection on the Canadian Broadcasting Corporation. It is merely a comparison of results obtained by two operating systems—one in which the broadcaster is supported entirely by advertising revenue, and the other in which his revenue comes partially from commercial sources and partially from fees levied on radio owners. The Canadian company is discovering that the listener fee system does not work.

Television today is deserving of optimism; television is deserving of support. We can give it that optimism, that support, without indulging in "blue-sky gazing."

We can be realistic, we can recognize its problems. But we can do so in a spirit of honest enthusiasm. We of Farnsworth have believed in television from the start. We believe in it, as it is, today. And, if to be enthusiastic about the future of television is to be a "televisionary," then count me a televisionary.

I urge you to take an active interest in television now. The better informed you are, the better you will be able to handle television merchandise. To all but a relatively few persons, television is **new**. You will face questions related only indirectly to models and prices. It is a fascinating subject, a fascinating field. In its larger scope it should be a positive influence toward the betterment of mankind. It has every reason to be superior to other communications media as the channel by which peoples of the world can come to know each other better.

Television is the next great American industry. Your part in that industry is to be a substantial one. I join you in looking forward enthusiastically. I am confident that we shall, together, achieve our full measure of success in the bright years of television that lie ahead.

Our Prosperity Is on Temporary Props: Truman

(Continued from page 4)

and maximum-level peace-time economy.

These adjustments take time to accomplish in our free, enormous and complex economic system. They must be made before the lack of them produces serious unemployment and business decline. Adjustment through recession or depression is tragic, costly and wasteful. Moderate adjustments, made in time, can accomplish more than drastic measures in a crisis produced by delay or neglect.

Price and income adjustments stand foremost in need of attention.

Industrial and Agricultural Prices

Prices increased sharply in the second half of 1946, increased more slowly in the first quarter of 1947, and then leveled off in the second quarter. This leveling off reflected some catching up of supply with immediate demand, an increase of consumer resistance and the encouraging response of many businessmen to the government's price advice, which they recognized to be in their own long-range interest.

This improvement in the price situation should not blind us to further need for price reductions in some cases. In other cases there is need to hold the price line in the face of recent developments which revive some fears of another upswing of inflation.

There are many areas where price reductions still are necessary to check current or prospective declines in demand and to provide outlets for increased production. In the numerous instances where profit margins permit or where future profits would be better protected by assuring larger volume through lower prices business should make these adjustments now.

At the beginning of this year the prospect for abundant crops gave promise that the price increases in farm and food products would be checked. Although there was a leveling off in food prices in the second quarter of this year, bad weather, extensive floods and unexpectedly urgent foreign need have caused some further price increase in food and farm products in recent weeks. There are fears of a short corn crop but no general or present scarcity of farm and food products as a whole.

Although most farmers cannot voluntarily reduce their prices because they do not make price decisions, we are not entirely without recourse in the farm situation. We may still obtain a total agricultural output as large as last year. But in view of the existing uncertainty in the farm outlook, it is the duty of food growers, processors and the government to keep the public currently informed of the real facts concerning our food supply. Unfounded fear of food shortages should not be allowed to lead to speculation, hoarding and unnecessary buying. We should all realize, too, that any slight inconveniences or momentary shortages that may develop are the consequence primarily of the high incomes and standard of living most of us are enjoying today.

Wages and Salaries

Although the moderate and peaceful wage adjustments during the first half of the year improved the position of many earners, the majority of consumers were not directly benefited. Because of increases in the cost of living, the purchasing power of total consumers' incomes is no higher than at the beginning of the year.

In some cases wage increases are still needed to attain workable relations in the wage and salary structure, and to alleviate hardship due to wages which are substandard or which have risen substantially less than the increase in the cost of living.

Except for such special circumstances, wage increases should be related to general trends in productivity and not made on a basis which forces price increases or prevents price reductions needed to assure sale of increasing supplies.

With the wage adjustments already made and those still needed in special wage areas, it follows that the patterns of workable price relations ultimately arrived at will be on a somewhat higher price level than would otherwise have come about. However, this is not a justification for pyramiding wage-price increases or failing to make price reductions whenever and wherever possible.

In the interest of those whose income has remained substandard, it is imperative that legislation be enacted to extend the coverage of the fair labor standards act, to increase the minimum wage level to at least 65 cents an hour, and to enlarge social security benefit payments in view of the higher cost of living.

Under the recent wage settlement in the coal mining industry the wages of coal miners occupy a place near the top of the wage structure. The earnings of the coal miners under the new contract must be judged in the light of the character of their work and the labor needs of the industry. There has been exaggeration of the size of this adjustment compared with the adjustments previously made in many other industries. Every effort should be made to absorb the cost increases in the coal mining industry and the industries indirectly affected through increased productivity and through reduction in profit margins.

The increases that have already been made in coal prices are contributing to inflationary pressures. We have a right to expect that as operating adjustments toward maximum efficiency are made and present shortages are overcome, the price of coal will be restored to a lower level, thus easing the cost situation for industrial, railway and domestic users. Meanwhile, pyramiding of price advances by coal distributors is wholly unjustified.

Similarly, increases in the price of steel would have a widespread inflationary effect. Steel companies should exercise extraordinary caution at this stage of our reconversion effort to see that increases in coal prices or other costs are offset as fully as possible through the savings of continuous and high-level operation. Recent favorable earnings should permit the absorption of an extraordinary cost over a short period in order to stabilize prosperity for the longer run.

In no case should the particular wage increases in the mining industry be made the basis for wage demands in other fields governed by different circumstances.

It is in the interest of steady expansion of the economy that, with the aid of collective bargaining, prices and wages be brought in line with general productivity trends.

Housing and Other Construction

Although housing construction has been higher in 1947 than in 1946, it lags far behind the real needs of our people for homes. A much higher volume of housing output will be needed to help sustain maximum employment when temporarily sustaining forces—such as the huge net export balance, high investments in reconversion and an abnormal rate of inventory accumulation—begin to decline further.

The needed stimulus to more housing construction, and also to industrial and commercial construction, depends largely upon lower prices. Housing costs can and should be substantially lowered through the efforts of material suppliers, builders and workers.

Of utmost importance is immediate enactment of the comprehensive housing program which I have previously recommended to the present Congress. Without such a law, housing is seriously handicapped.

Public construction for the time being should be held to moderate amounts consistent with essential needs.

The Foreign Aid Program

The United States has indicated its readiness to consider further aid toward reconstruction in Europe if the foreign countries themselves present a plan that makes such help truly effective. We must continue to help other countries help themselves, until the reconstruction of their own economies reaches the point where they are able to pay their way by exchange of goods and services. The possibility of additional foreign aid programs makes it all the more necessary to appraise the impact of exports on the domestic economy during the last six months. A large excess of exports over imports occurring at a time of inflationary pressure has created some strain on the economy. But this strain is of moderate proportions and will be of temporary duration. Our exports have not necessitated undue denial at home, where our standards of living are much higher than before the war.

These exports for the aid of other countries are directed toward the winning of the peace—they are at the core of this nation's foreign policy.

The Responsibilities of Government

Economic adjustment to changing conditions is, in a free enterprise economy, accomplished largely through a multitude of voluntary decisions by business management, farmers and labor. Wise and far-sighted policy by these groups is necessary to assure the satisfactory operation of our economic system. Government must, however, at all times exert its complementary influence.

Legislative action on minimum wages, on social security and on housing, as already indicated, forms part of the immediate responsibility of government.

In addition, the recent uncertainties arising in four fields—uncertainties as to the effect of the crop situation upon food prices, the effect of the coal mine settlement upon industrial prices, the trend of housing costs and house production, and the whole matter of foreign economic policy—have a vital bearing upon the immediate fiscal policies of the Government. The developments in these areas mean that the inflationary factors in the economy may become stronger.

Tax reduction now would add to inflationary pressures and would also prevent the debt reduction which should be carried out in prosperous times to strengthen the nation's financial position against future contingencies. A policy of restraint at the present time will enable the Government to use fiscal measures effectively should the time come when they might be needed to lend support to the economy.

The sound financial policies that the Government has been following have been vindicated by every test of experience. These policies should not be abandoned or weakened.

The employment act of 1946 contemplated that prompt attention would be given to the maintenance of maximum prosperity in all its phases—employment, production and purchasing power.

This mid-year report, unlike the first economic report in January, deals only with problems requiring immediate attention. It is a check-up on the extent to which we have thus far achieved the goals we set in January.

Many of the short-range recommendations made in January have not yet been adopted—especially those requiring legislation. The fact that this delay has not yet produced bad results is no reason for further delay. Waiting until bad results appear means that action is too late to be fully effective.

Long-range economic programs will also be required. They embrace resource and regional development, health and welfare, anti-monopoly programs, stabilization devices and many other undertakings essential to the full realization of our superb economic potential. The first economic report indicated the range of these programs, and studies are now under way to make them ready for presentation by next year.

We must adjust our minds to the fact that we are living in a $225 billion economy; that our free system has become today, and tomorrow must continue to be, the richest and most powerful productive machine ever devised by the minds and hands of man. Our task is to create for the functioning of this great productive force an environment in which it can operate smoothly at capacity. Thus far we have avoided the economic misfortunes which followed World War I and then culminated in a disastrous depression in 1929. Today we are wiser, more experienced, infinitely more blessed with material riches, more united as a people, stronger as a nation. If, calmly and realistically, we assess our strong points and our weaknesses and boldly take necessary steps in time, we can place the high production and the high employment that we have today on a firm foundation of enduring prosperity and peace.

Knowing Business and Economics

(Continued from page 16)

past and can be the source of even more trouble in the future. During the 20s we made what, for the time, were very large exports of capital and other goods. But when our debtors wanted to pay in goods, we found the imports bothersome competitively, so we raised our tariff walls. Foreign countries, of course, retaliated; and the attendant blocking of foreign trade had much to do with the great depression of the 30s.

Now we are again exporting vastly more than we are importing. During the first quarter of this year, exports were running at a rate of almost $20 billion a year while imports of goods and services were running at less than $8 billion. While continuation of such an enormous excess of exports above imports is not to be anticipated, a large excess of exports is a part of the process of getting the rest of the world back on its feet after the most devastating of wars. But as that process of recovery advances, as it must if we are not all to sink together, foreign countries will be able to ship more goods and services to us. And to keep the process of recovery going, we must take the goods, not raise barriers against them as we have at times in the past. That will involve readjustments and inconveniences to some firms and workers in this country, but it is a price which must be paid if we are to get ahead successfully with the process of world recovery.

Economic Interdependence

I just mentioned sinking together. That brings me to another element of basic understanding which seems to me to become more important every day. As the economists phrase it, in their customarily prosaic way, the understanding is that there is an interdependence between all parts of our economy and the people working them. At a very critical period in the nation's history, Benjamin Franklin phrased much the same proposition far more vividly when he remarked, "If we don't hang together we shall all hang separately."

Each worker, particularly in the white collar fields of the store and the office, needs to realize that he is a cog in the vast machine. In white collar jobs which are not mechanized and in which judgment plays a large part, the individual worker, to bring the discussion right down to his job, needs to know how his job fits into the scheme of things—for example, the extent to which the work of others depends on his work as well as the extent to which his work is dependent upon that of others. Only by having such knowledge and utilizing it in his day to day job activity will he be able to function efficiently and intelligently.

One reason, I am sure, why that proposition is not better understood is that it has rather consistently been abused by people trying to make more of it than can properly be made. For example, it has been extensively argued, with oratorical overtones, that the interests of employers and workers are identical. The fact is, of course, that they are not. There is room for considerable conflict of interest over the shares of the total proceeds of production which should go to wages and to profits. But the fact remains that if the company goes broke, both employers and workers go down the shute with it, and both prosper as it prospers. So there is a common interest in maintaining prosperous companies, comunities, and a prosperous country. In recent years the idea that it is possible for one group to climb to prosperity over the prostrate forms of others has enjoyed quite a vogue. That idea runs counter to the basic set-up of our country and economy.

Abuse of Free Speech

Speaking of basic elements, if there is any one element of our American way of life which is more basic than any other, it seems it may well be the right of free speech and assembly. At any rate, America would not be itself or have any measure of its present greatness if people were not sounding off on every controversial subject under the sun, in complete security that their squawking will not land them in a concentration camp. There are a certain number of laws designed to protect people and institutions from being libelled and slandered, but they are not such that they place any general compulsion on people to tell the truth and even try to tell the truth in exercising their rights of free speech. For example, I may, if I see fit (which I don't) indulge myself in a deliberately falsified account of the operations of the U. S. Government, charging it with all manner of abuses, and suffer no penalties for my performance.

That, as I see it, is as it should be. In political and economic matters the line between what is clearly false and what represents honest disagreement of opinion is frequently so thin that to have it otherwise would invite all manner of unwholesome repression. It is

extremely important, however, to have it generally understood that our Bill of Rights involves no corresponding legal duties to tell the truth. Such understanding on the part of workers is particularly important at this critical time when enemies of our form of government are using all of the means at their disposal, which are very considerable, to discredit its performance in the hope of destroying it.

Together with this understanding should go a realization that all of us share a common obligation to do our utmost to discriminate between the truth and organized hokum. As I see it, general fulfillment of that obligation is absolutely essential to a reasonable degree of security for our American way of life, with its dominant emphasis on individual initiative and freedom. Unless that initiative is well and even wisely informed, the way is opened for some boss man to move in and start telling our people what to do and think—to my mind the most hateful of political arrangements.

In seeing this general obligation to discriminate between truth and hokum, you, as students and teachers, and I, as your servant in the publishing field, have very special privileges and duties. We must take every precaution that we know how to see that our teaching and our publications fulfill the standards of scholarship and devotion to truth which must be fulfilled if our citizenry is not to be dangerously misinformed and thus a prey to those who would destroy us.

The time allotted to me has run its course. And I have obviously only lightly disturbed the surface of the vast subject assigned to me. My role, however, was not to exhaust the subject. Rather, it was to open it up by bringing into the foreground some major elements of economic understanding which beginning store and office workers should know. This I have done. In doing so, I hope that I have in no way implied that the elements of understanding in question should be reserved to store and office workers alone. On the contrary. All of us should have them to a far larger degree than we do now. If this discussion serves in some slight degree to have it so, I shall feel fully be repaid for my effort in leading it.

I have said nothing about how these economic understandings are to be taught or where they are to be taught. That is a problem which you as educators must decide. The particular applications of basic economic understandings which are pertinent to particular job preparation is another problem of which I know very little. Of this one thing I am sure. If office and store workers—white-collar workers—are to maintain their peculiar position of privilege and security and influence in the business world, they must bring to their jobs a great deal more than mere efficiency in skills and technical information. Important as these may be in themselves, they are, in the last analysis, important in relation to the economic result which they are intended to achieve.

Outlook for Construction Industry

(Continued from page 9)

for actions which they could take to help reduce construction costs. In order that you may know what we ask of ourselves when we call upon engineers for cooperation, I, would like to read those recommendations. They are:

(1) Where it is the normal custom of the contractor, and to the fullest extent possible, firm prices should be quoted to the owner. Contractors should require firm prices from subcontractors, and sellers of materials and machinery.

(2) Fair and just wages should be paid to workmen, and all possible steps should be taken to encourage workmen to produce a day's work for a day's pay, to maintain wage rates for agreed periods of time, to settle disputes without stoppage of work, to eliminate wasteful practices, and to permit the training of adequate numbers of apprentices to supply additional skilled craftsmen for the industry.

(3) All possible steps should be taken to improve efficiency of management

(4) Where possible, owners should be discouraged from demanding the completion of projects at speeds which require overtime work at premium rates of pay, or procedures requiring extra costs.

The AGC then called upon all organizations and individuals in the industry — engineers, architects, contractors, producers and distributors of material and equipment, labor and others — to cooperate to help eliminate uncertainties from the industry and to permit operations to be carried out as quickly, efficiently, and economically as possible.

The AGC statement concluded that it will take time for public recognition and understanding of the fact that construction and other costs must be higher if the national economy is to operate at a level which will permit payment of the national debt

The public should be informed that construction costs generally have reached their peak, that as readjustments are made in the national economy improvements in efficiency and economy can be brought about in the industry, and that responsible elements of the industry are doing all within their power to carry out operations so that the public receives the maximum for its investment in construction

Cooperation Between Engineers and Contractors

Now that I have recounted some of the things we contractors are doing to keep our own house in order, I would like to outline briefly some of the fields in which there can be cooperation between engineers and architects leading toward more efficiency in construction. On behalf of the AGC I ask the support of members of the ASCE in an industry-wide movement to help stabilize and reduce construction costs This is vital to all of us, for as I said before, we can price ourselves out of a market.

There is much that both organizations can do nationally. There is more that local groups can do in their own communities, and that engineers and contractors working together can do.

Specifically, I believe that the following are some of the fields in which cooperation between engineers and contractors will benefit the public.

(1) Recognition that engineers and contractors are partners with the owner in a team which has the objective of completing construction of the desired quality for the minimum cost. The more that engineers and contractors respect each other and understand mutual problems, the more efficient will be their working together as part of a team.

(2) The study of contract documents and procedures to keep them current with modern procedures.

(3) The preparation of clear and definite specifications. When these are clear and definite, and quantities can be estimated with reasonable accuracy, contractors can make close bids. The more specifications are left open to the discretion or determination of the engineer, the more the contractor must add contingencies to offset unknowns.

(4) The design of projects to permit economy of operations. For example, bridges can be built more economically where forms can be used repetitively. Where new forms must be built for each segment, work is more expensive.

(5) The design of projects permitting use of materials which can be put in place most economically.

(6) The elimination of nonessentials in plans and specifications. For example, contractors have been required to handrub concrete surfaces when smoothness fulfilled no practical purpose.

(7) The writing of specifications and requirements to permit mechanized operations to the fullest extent, so that expensive hand operations are eliminated.

(8) Consulation on costs and methods of operation while projects are being designed.

I cannot recommend too highly that engineers in designing and supervising the construction of projects, consult with responsible contractors on practical means of coordinating most closely efficient design and economical construction methods.

You will find AGC contractors ready and willing to do this. They are men of skill, integrity and responsibility. Through the work which the AGC is carrying out nationally and through its chapters and branches, with the ASCE and other groups, the patterns of cooperative work for bringing about more efficient and economical construction work are becoming more completely developed.

Construction for the Future

For approximately six years the start of new construction for benefit of the civilian economy has been restricted and regulated in one way or another by the Federal Government.

During the war period the physical plant of the nation was subjected to abnormal wear and tear without normal maintenance and repair and modernization. To catch up on these deferred demands for construction is alone a big job for the industry.

Growth and expansion of the nation and development of its natural resources adds other demands for new construction. Much has been learned during the past few years of new production techniques with reference to both durable and consumer goods. The more efficient production and distribution of goods requires much in the way of new facilities.

In addition to all this, science is making tremendous strides and there is the possibility that our entire mode of life may have to be altered substantially. There may develop a redistribution of industrial facilities and homes. Should this come about on a large scale, it would involve a tremenous amount of new construction and it could be done *only* with new construction.

The future of the construction industry is the future of the nation. Progress and development in the nation's future also depends greatly upon ability of the construction industry to carry out necessary work efficiently and economically.

It is the responsibility of all of us in the industry to see to it that our industry does operate with the speed, efficiency and economy which is required.

I, personally, am confident that the construction industry can keep pace with all modern developments in our national life and can mobilize its resources to carry out the work when it is needed and at reasonable costs.

War experiences demonstrated conclusively that the industry can rise to an emergency and accomplish a tremendous amount of work in an almost impossibly short time. During the war all parts of the industry and all individuals in it made a record of achievement of which the industry may be proud.

Those accomplishments have been highlighted in a book recently published by the Odyssey Press of New York, entitled: *AMERICAN MIRACLE, The Story of War Construction Around the World.* The AGC was helpful in having material for the book prepared.

Conclusion

Construction problems cannot be separated from those of the nation as a whole, any more than progress of the nation can be carried on without construction.

The construction industry is faced with many problems in attaining a larger volume of activity and carrying out all of the construction which the nation needs.

Because of the developments of science, we may be called upon to carry out a greater volume of work than the several billions of dollars worth which are foreseeable.

Our immediate problem is bringing to the industry all of the efficiency and economy possible, so that the public receives the maximum for its value in construction.

Cooperation between engineers and contractors, as well as cooperation between all groups and individuals in the industry, is one of the important steps which will help us to solve our problems.

Le Roy Hood Joins S. R. Livingstone

DETROIT, MICH.—Le Roy T. Hood has become associated with S. R. Livingstone & Co., Penobscot Building, members of the Detroit Stock Exchange, as manager of the firm's municipal bond department. Mr. Hood was formerly senior partner of L. T. Hood & Co. and has specialized in municipals for the past 15 years.

Le Roy T. Hood

Zinc Futures Resumed

The Commodity Exchange, Inc., announced on July 20, that it would resume zinc trading on July 22. Futures trading in the metal had been suspended since the beginning of the war. The Board of Governors of the Commodity Exchange here set the following margin requirements: For each regular contract, long or short, calling for delivery of 30 tons of slab zinc, basic prime Western, $750; for hedging contracts, $500, and for "straddles," $250.

Outlook for the Sterling Area

(Continued from page 14)

London which dictated to various members of the sterling area how much dollars they could have and how little trade they could transact with the United States. On the contrary, each country continued to operate its exchange control and its licensing of imports independently, though the harsh realities of economic life and the shortage of dollars in particular made them undertake to exercise the strictest economy in their purchases from all hard currency countries.

Nucleus of Stability

Throughout World War II, however, any imports from the United States were sanctioned by the import licensing authorities in the sterling area countries were duly, and indeed automatically, financed out of the sterling area dollar pool in London. No questions were asked, though needless to say if any one member had been guilty of excessive imports there would reasonably have been cause for remonstrances, since its excessive use of dollars would have meant that others would have received less than their fair share.

This sterling area machinery undoubtedly will continue to operate after July 15, though it will return more closely to the form which it enjoyed before 1939. Most countries now in the sterling area will continue to hold the bulk of their monetary reserves and of their external balances in the form of London assets. Some, such as India and Egypt, may decide to hold a proportion of their reserves in the form of dollars or other currencies, but it should be realized that in order to acquire those dollars they will have to gain them either by their trade with the countries in question or by floating loans in those countries or, finally, by acquiring a net current surplus with Britain—none of which is likely to yield much in the way of hard currencies in the near future. India and Egqpt may have bravely announced that in future their currencies will be based on gold or the gold dollar and not on sterling; but the facts of economic life may decide otherwise. Those countries will find that the whole of their external reserves — their working balances as well as their currency reserves—are invested in sterling and, moreover, is accumulated sterling which cannot be readily converted into other currencies. They will find, too, that the great bulk of their trade is still transacted with sterling countries. Whatever they may decide about the theoretical basis of their currencies, they will be dependent on sterling and will, for all practical purposes, continue to be members of the sterling area.

Finally, I should like to stress how important the Sterling area has been as a nucleus of stability during and since the end of World War II. It has done valiant work in this respect and so have the monetary and payments agreements negotiated by Britain with non-sterling countries. There is a genuine character of permanence about this structure built around Sterling and in the dark days to come it may yet shine as a beacon of normality. If the world is about to plunge into a chronic dollar shortage, much of the new international exchange system built around the Bretton Woods agreements may acquire a strange air of unreality. By comparison the sterling system may remain one of the few islands of stability unsubmerged by the international foreign exchange crisis which is advancing at such a pace.

Thomas Kemp Adds

Special to THE FINANCIAL CHRONICLE

PASADENA, CALIF. — Arthur E. Thomson is with Thomas Kemp & Company, 180 East California Street.

With R. S. Dickson & Co.

Special to THE FINANCIAL CHRONICLE

AUGUSTA, GA. — Louis C. Floyd has joined the staff of R. S. Dickson & Co., Wilder Building, Charlotte, N. C.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Continued irregularity not a good buying sign. Sideline position still advised.

Looking at the market up here in Maine doesn't make it any different than it does in New York. The same kind of signals that I believed were apparent for the past week or so are still in evidence up here in Skowhegan. The only difference is that the days here are as hot and the nights are a bit chillier. Actually, I saw an hour of the market today. But seeing it under bucolic circumstances tends me toward bullishness. If it were not for the selling sign that appeared last week and today, the general feeling I have would make me more optimistic.

* * *

Why the selling persists is something that only time can tell. There are minor indications that this selling may dry up and be replaced by cautious buying. But if that occurs, it will require a period of dullness we haven't seen up till now.

* * *

But dullness, after the recent strength, may bring about selling. It is true that this selling need not go far in points. But selling, once it starts, can frighten a public interest to the point that, what starts out to be normal setback, can develop into a real reaction.

* * *

In the past few weeks the public has had its interest revived. Some of this has taken the form of increased interest in dividends, switches and just plain talk. This sort of interest is common in a certain cycle of the market.

* * *

Currently, there is much discussion as to (1) how much money certain companies will make from the increased price of steel; (2) how much others will lose from the increased cost of coal; (3) what companies will absorb the added costs and which ones will pass them on in the form of higher prices for their products.

* * *

The market is attempting to weigh all of these factors and come to a decision. So far it hasn't arrived at any conclusion; else there would be more positive market action. That being the case, I continue to feel that the time to buy has not yet arrived.

* * *

You may still be long on Bethlehem Steel, U. S. Steel and, possibly, Chrysler. If so, I repeat my advice of last week: don't let these profits fade away. A stop a point under last week's lows would not be a bad idea. So long as prices hold, you can stay long. If they go higher, fine and dandy. But, if they start selling off, the stops will prevent you from being caught.

More next Thursday.

—Walter Whyte

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

The Marshall Plan—Aid to the International Bank

(Continued from page 9)

Bank Charter does not consider any kind of combined effort and responsibility. It is concerned with individual members only: they appear as borrowers or guarantors of the Bank's loans.

On the other hand, the Charter does not exclude the kind of cooperation which is essential to the Marshall Plan. Indeed, the Bank itself has recently put forth a program for financing increased coal production of the Ruhr district which provides specifically for a pooling of guarantees of the several countries concerned. Therefore, it may be supposed that any legal obstacles can be ironed out by an appropriate interpretation of the Charter. Certainly, the Bank's development depends on a flexible Charter which permits adjustment to the swiftly changing social and economic conditions throughout the world.

The Bank should be able to gain considerable advantage if the practice of granting loans to groups of members rather than to individual borrowers should be more widely adopted. Thus it had every reason to support this principle of the Marshall Plan and to work in favor of its application.

An Opportunity for the Bank to Get Improved Terms

The Marshall Plan, in relieving the Bank for undue pressures and responsibilities and in introducing the principle of cooperation affords a special opportunity for improving procedures and terms of lending operations. This, in turn, should improve the quality of the loans and, thus, make the Bank's debentures tend to become more independent of the guarantee provided by the insubscribed capital contribution of the U. S. Government which is now considered their main support. The big question is now how to achieve this result in the most effective manner without arousing opposition among actual and prospective borrower-members.

Up to now, the officials of the Bank have laid their main emphasis upon strict control of loan disbursements in accordance with the purposes agreed upon. In fact, appropriate provisions were embodied in the French loan agreement.[1]

Important as supervision of loan disbursements may be, it is but one and perhaps not even the most decisive tool of creditor protection. This is well known to credit men and, accordingly, they are accustomed to provide for some kind of additional security or collateral as long as they see even a slight danger of default.

The need for additional safeguards is even more obvious in the field of international lending when the grave transfer problem has to be added to other kinds of risks. Experience during the interwar period clearly demonstrated the weak position of unsecured creditors in default cases.

The able and experienced leaders of the World Bank are not unaware of these conditions. Why, then, did they refrain from discussing them as frequently and insistently as would be warranted by their importance. There is no official answer but the reasons are fairly obvious.

While the Bank Charter provides clearly for close supervision of the distribution of loans, it is silent regarding additional protective measures in favor of the Bank and its bondholders. The management of the Bank, in assessing the situation apparently felt that they would have to stick to the letter of the Charter but could not go beyond it without wrecking the whole structure. They thus decided to write into loan contracts every provision which could be supported by the Charter; this was done in the precedent-making instance of the French loan, indeed, the provisions for supervising the disbursement of the loan immediately aroused vigorous opposition as an infringement of French sovereignty.

Obviously, there is an urgent need to get more safeguards but there are, on the other side, a debtor governments subject to domestic political pressures and an incessant barrage of hostile propaganda from the East.

It has been very difficult, up to now, to refute the conclusiveness of this reasoning. However, the Marshall Plan sheds new light upon the situation as a whole and may well lead to an improvement of the Bank's position. The Plan, as pointed out before, gives the Bank a chance to select its own place within a much larger lending operation the bulk of which will have to be carried by the U. S. Government since no one else is able to do the job.

The Bank should from now on be able to insist on those terms which afford the highest grade of protection attainable in the circumstances. It is no longer under compulsion to handle greater risks which can now be taken care of by the government. There is nothing wrong with such a division of responsibility. For government foreign lending is part of the country's foreign policy and the risks should be borne by all the people not by a few individuals or institutions. These, however, have a right to expect fullest possible protection for the funds they are contributing and they are clearly entitled to a better break than the government. Much confusion and misunderstanding could be avoided by a better awareness of these two distinct positions.[2]

One application of the idea of selecting better risks made feasible through the Marshall Plan would be to set up pools of equipment wherefrom the members of the Bank would select and rent the types they most urgently need. The equipment, however, would not be owned by the borrowers as is the case under a "regular" loan agreement but title would remain with the pool which would be incorporated in one of the European countries that have been catering to this kind of organization. The stock would be held by the Bank and the interested members but the Bank would have to secure decisive influence upon the management. The pool would issue the bonds which would serve as first collateral for the Bank's loan. In addition, every member would guarantee a quota of the bond issue commensurate with its share in the equipment owned by the pool. However, the principal security for the loan would be represented by the equipment itself which would be owned by the pool until the full principal of the loan has been repaid. The legal position of the pool, thus, would be similar to that of an instalment vendor. The countries using the equipment would have to pay a rental to cover the full debt service in addition to administration charges. In case of default, the pool would be in a position to take repossession of the equipment and to transfer it to some other lessee. The possibility of such immediate penalty would most probably be a sufficient threat to make sure that no default would ever occur. The lessee would make every effort to continue with his rental payments in order to avoid the disadvantage of losing use of the equipment.

Thus, for the first time, the Bank would not have to rely merely upon promises of its debtors but would have a real collateral to back up its claims. As a result, the debentures to be issued by the Bank to finance these particular transactions would be in a class by themselves and not depend on the U. S. guarantee as represented by the unsubscribed capital contribution in the first place. Adoption of such a plan would represent an initial but decisive step toward a permanent and realistic credit policy of the Bank whereby its loans would be supported by an effective collateral.

The general features of this plan could be applied in various ways in accordance with changing conditions. Perhaps, a good start could be made with transportation equipment. There is a tremendous need for such equipment in practically every country. Much equipment has been destroyed during the war and an even larger part has deteriorated through lack of proper maintenance. As a result, most countries have to operate with only a part of their peacetime equipment, a large part of which is in urgent need of repair. Thus, most countries will be interested in participating in a pool which would give them access to new and modern transportation equipment. Most railroads in Europe and elsewhere have standard gauge and thus the same equipment could be used in many countries without difficulties or major changes. In addition to railroad equipment there is great demand for river and canal boats, trucks and buses as well as planes for passenger and freight movements."[3]

Agricultural equipment would represent another group suitable for operation under a pool agreement. Improvement of agricultural methods to increase food production is just as important as transportation to achieve rehabilitation. These two groups of equipment should tax to the full the financing facilities of the World Bank for some time to come. Moreover, additional ways for applying the scheme will certainly be worked out later.

Borrowing countries may be somewhat reluctant to accept the suggested financial arrangements. They are now quite hopeful to receive additional dollar balances under the heading of "mutual aid" with the "mutual" standing for a one-way flow of resources only. They expect "mutual aid" to be largely gifts similar to wartime "lend-lease." However, the United States should insist that financing of those supplies as fit the requirements of the World Bank should be undertaken solely through that organization. Thus every recipient of "mutual aid" would have to take a specific quota of that "aid" by means of a participation in the World Bank-financed pool. Naturally this quota would have to be serviced and repaid in accordance with the terms laid down by the Bank.

Such an arrangement should relieve the American taxpayer of a considerable burden and make it easier for Congress to accept the European aid program. Several billion dollars might be lent out under the proposed scheme by the World Bank with a minimum of risk and no danger that the U. S. Treasury may be ultimately drawn upon to make good for defaulted borrowers. The European claimant nations, on the other hand, by accepting the proposal would furnish proof of their willingness to make their own contributions to the best of their ability and not to wait for grants in the first place.

The World Bank should make every effort to work out the details of the plan as quickly as possible so it may be ready at the time when Congress will begin considering the "mutual aid" legislation. Congress, before appropriating billions of dollars for foreign rehabilitation will be vitally interested to know what share, if any, of the heavy burden can be taken up by the World Bank and other private sources. The Bank in demonstrating to the satisfaction of Congress that it is willing, able and ready to make a considerable contribution toward the required goal without recourse to the U. S. Treasury would greatly enhance its standing among the American people. This, in turn, should facilitate flotation of additional debenture issues on the domestic market far beyond the limit which, up to now, has been widely considered to be determined by the American capital contribution to the Bank only.

1 See "World Bank Loan To France and Future of Foreign Private Lending." Commercial and Financial Chronicle, June 19, 1947.

2 "A Plan for World Bank Operation" by Edward A. Viner and C. Edward Gramans, published in the July 3 issue of the Commercial and Financial Chronicle presents a very interesting proposal for securing the World Bank bonds although some of the suggestions may have to face serious difficulties if put to the test under existing political conditions.

3 See "World Bank Should Finance Transportation Equipment" Commercial and Financial Chronicle June 6, 1946.

F. v. z. Didrichsen & Co.

The firm of F. v. z. Didrichsen has been changed to F. v. z. Didrichsen & Co. Partners are F. v. z. Didrichsen and George D. Walsh. Offices are located at 41 Broad Street, New York City.

H. A. Bradford Dead

Herbert A. Bradford, Vice-President of Calvin Bullock, 1 Wall Street, New York City, died at the White Plains Hospital at the age of 63.

Main Line Inv. Co.

MERION STATION, PA.—Paul R. Warwick is engaging in a securities business under the firm name of Main Line Investment Co. from offices at 65 Merbrook Bend.

Victor Gaines in N. Y.

Victor A. Gaines is conducting a securities business from offices at 255 W. 84th Street, New York City.

Securities Now in Registration

• INDICATES ADDITIONS SINCE PREVIOUS ISSUE

Acme Electric Corp., Cuba, N. Y. (8/11)
June 26 filed 123,246 shares ($1 par) common stock. **Underwriters**—Herrick, Waddell & Co., Inc., and First Colony Corp. **Offering**—To be offered publicly at $5 a share. **Proceeds**—Company will receive proceeds from the sale of 58,880 shares and four selling stockholders the proceeds from the sale of 64,366 shares. Company also will receive proceeds from the sale of 20,000 warrants for common stock to underwriters at an aggregate price of $2,000. Net proceeds will be used to pay current bank loans and for working capital.

Allied Finance Co., Dallas, Texas
May 26 filed 25,000 shares ($20 par) 5% cumulative convertible preferred. **Underwriting**—None. **Offering**—Offered to stockholders of record May 10 in the ratio of one share for each two shares of common held. Rights expire July 15. Any shares not taken up to and including 18,750 shares will be purchased by Republic Insurance Co.; balance will be sold to or through the Dallas Texas National Association of Security Dealers. **Price**—$20 a share. **Proceeds**—To retire present indebtedness.

American Broadcasting Co., Inc., N. Y.
June 27, 1946, filed (by amendment June 23, 1947) 33,333 shares ($1 par) common stock. **Underwriter**—Dillon, Read & Co. Inc., New York. **Offering**—A maximum of 30,000 shares may be sold by company to persons, firms, or corporations with whom the corporation had network affiliation agreements on March 31, 1946. The remainder (3,333 shares) will be offered publicly. Price by amendment.

American Machinery Corp.
Mar. 31 filed 133,000 shares (50c par) common, of which 10,000 will be offered to officers and key employees. **Underwriter**—Townsend, Graff & Co. **Price**—$3.50 per share. **Proceeds**—For general corporate purposes including reduction of bank loans and outstanding notes.

American Vending Machine Corp., New York
June 30 filed 145,000 shares ($1 par) common. **Underwriter**—Reynolds & Co., New York. Price by amendment. **Proceeds**—Of the total, 120,000 shares are being sold by stockholders and the balance by the company. The company will use proceeds for organizational purposes, which includes the merger of Berlo Vending Co., Philadelphia, and Sanitary Automatic Candy Corp., New York.

American Water Works Co., Inc., N. Y.
March 30, 1946 filed 2,343,105 shs. of common (par $5) plus an additional number determinable only after the results of competitive bidding are known. **Underwriters**—To be filed by amendment. Probable bidders include Dillon, Read & Co. Inc., White, Weld & Co., and Shields & Co. (jointly), and W. C. Langley & Co. and The First Boston Corp. (jointly). **Offering**—Price to public by amendment.

• **Anglo Saxon Mines, Inc., Georgetown, Colo.**
July 17 (letter of notification) $48,000 divided into 25¢ shares of stock and $2,000 divided into 50¢ shares of stock. **Price**—25¢ a share and 50¢ a share. No underwriting. For mine development.

• **Arlington Warehouse Corp., Arlington, Va.**
July 17 (letter of notification) 2,300 shares ($100 par) preferred and 230 shares ($100 par) common. **Price**—$1,000 per unit, consisting of 10 shares of preferred and one share of common. To be sold through officers and directors of company. To finance cost of warehouse, refrigeration equipment and operating capital.

Armour and Co., Chicago
July 12, 1946, filed 350,000 shares (no par) cumul. first preference stock, Series A; 300,000 shares of convertible second preference stock, Series A, and 1,355,240 shares common stock (par $5). **Underwriting**—Kuhn, Loeb & Co., New York. George Eastwood, President, in letter to stockholders, Dec. 22 said, "we have come to the conclusion it will not be necessary to issue any additional shares of common stock" as part of company's refinancing plan. In connection with the sale privately of $35,000,000 3½% debentures announced July 17, 1947, George A. Eastwood stated: "The debenture sale permits immediate accomplishment of some of the objective of the refinancing plan which the directors and management contemplated nearly a year ago when the shareholders at a special meeting authorized the issuance of two new classes of preferred stock. These new stocks were designed to carry a lower rate of dividend than the present preferred stocks and the consequent reduction in annual dividend requirements was and still is regarded as a major objective in the best interests of the company and its shareholders. We look forward to the accomplishment of this objective in the near future."

Atlantic City (N. J.) Electric Co.
March 19 filed 522,416 shares ($10 par) common, being offered by American Gas & Electric Co. **Underwriters**—To be determined by competitive bidding. **Proceeds**—Offering is part of American's plan to dispose of its holdings of 1,150,000 outstanding shares of Atlantic City. The shares remaining after the public offering will be distributed as dividends on American's common stock. **Bids**—Bids for the purchase of the stock submitted July 22 were rejected. A joint bid by The First Boston Corp.; Shields & Co.; Drexel & Co., and White, Weld & Co. of $17.68 per share and a joint bid by Dillon, Read & Co. Inc., and Smith, Barney & Co. of $16.30 per share were submitted.

Atlas Plywood Corp., Boston (7/25)
June 27 filed 72,882 shares ($1 par) common. **Underwriting**—Van Alstyne, Noel Corp., New York. **Price**—At market (approximately $31.50). **Proceeds**—For additional working capital.

• **Auto Newsy, Inc., Renton, Wash.**
July 17 (letter of notification) 50,000 shares ($1 par) common. **Price**—$1 a share. No underwriting. For production of newspaper vending machine "Auto Newsy."

• **Baltimore Mining Corp., Boise Idaho**
July 14 (letter of notification) 295,000 shares ($1 par) common. **Price**—$1 a share. No underwriting. For equipment and for working mining claims.

Barium Steel Corp., New York
June 17 filed $3,000,000 15-year sinking fund debentures, due 1962, with non-detachable subscription warrants for purchase of common stock. **Underwriter** — Name by amendment. Price by amendment. **Proceeds**—For payment of loans and for other corporate purposes.

Bonanza Mines, Inc., San Francisco
June 17 (leter of notification) 65,000 shares (10¢ par) common. **Price**—$1.25 a share. **Underwriting**—A. L. Albee & Co., Inc., Boston. For exploration of mining claims.

Brayton Flying Service, Inc., Robertson, Mo.
March 24 (letter of notification) 50,000 shares ($1 par) 27½ cent cumulative, convertible preferred and 50,000 shares (10c par) common. **Price**—$5 per unit, consisting of one share of each. **Underwriter**—White and Co., St. Louis, Mo. For expansion of operating facilities and for working capital.

Brooklyn (N. Y.) Union Gas Co.
May 3, 1946 filed 70,000 shares of cumu. preferred stock ($100 par). **Underwriters**—To be filed by amendment. **Bids Rejected**—Company July 23, 1946, rejected two bids received for the stock. Blyth & Co., Inc., and F. S. Moseley & Co. and associates submitted a bid of 100.06 for a 4.30% dividend. Harriman Ripley & Co. bid 100.779 for a 4.40% dividend. Indefinitely postponed.

California Oregon Power Co.
March 26 filed 60,000 shares ($100 par) cumulative preferred. **Underwriters**—To be determined by competitive bidding. Probable bidders include: First Boston Corp. and Blyth & Co. Inc. (jointly); Merrill Lynch, Pierce, Fenner & Beane and Harriman, Ripley & Co. (jointly). **Bids**—Bids for the purchase of the securities scheduled for May 20 and postponed to June 18 further delayed. It is reported company has abandoned sale of preferred for a construction credit and term loan of $9,000,000 which the company has negotiated with a group of banks.

Carscor Porcupine Gold Mines, Ltd., of Toronto, Ontario
June 24, 1946, filed 400,000 shares of common. **Underwriter**—No underwriters. **Offering** — To the public at $1 a share in Canadian funds. **Proceeds**—For a variety of purposes in connection with exploration, sinking of shafts, diamond drilling and working capital.

• **Central Mining and Development Corp., Central City, Colo.**
July 17 (letter of notification) 200,000 shares ($1 par) common. **Price**—$1 a share. No underwriting. For equipment and working capital.

Central Soya Co., Inc., Fort Wayne, Ind.
Aug. 21, 1946, filed 90,000 shares (no par) common. **Underwriter**—None. **Offering**—Shares initially will be offered for subscription to common stockholders at rate of one share for each 7⅓ shares held. Unsubscribed shares will be sold to underwriters. Price by amendment. **Proceeds**—Working capital, etc. Offering indefinitely postponed.

Claude Neon, Inc., New York
March 28 filed 226,454 shares ($1 par) common. **Underwriting**—None. **Offering**—Shares will be offered for subscription to common stockholders on basis of one share for each 10 shares held. Price by amendment **Proceeds**—Towards cost of additional interests in oil leases.

Cohart Refractories Co., Louisville, Ky.
Mar. 28 filed 182,520 shares ($5 par) common. **Underwriters**—Harriman Ripley & Co., and Lazard Freres & Co., both of New York. Price by amendment. **Proceeds**—The shares are being sold by Corning Glass Works, New York, and represent 88.8% of the total outstanding common of the company. Offering indefinitely postponed.

Columbia Pictures Corp., New York
June 26 filed 24,832 shares (no par) common. The shares are being sold by stockholders and represent stock dividends on common stock held by the sellers. The registration also covered an additional indeterminate number of shares which may be issued to the selling stockholders as stock dividends or through stock split-ups on common stock. **Price**—$16 a share (estimated). **Proceeds**—Proceeds go to the selling stockholders.

• **Commodore Gold, Inc., Seattle, Wash.**
July 16 (letter of notification) 25,000 shares of common. **Price**—$1 a share. No underwriting. For development of mine.

Crawford Clothes, Inc., L. I. City, N. Y.
Aug. 9, 1946, filed 300,000 shares ($5 par) common. **Underwriters**—First Boston Corp., New York. Price by amendment. **Proceeds**—Go to Joseph Levy, President, selling stockholders. Offering date indefinite.

Cyprus Mines, Ltd., Montreal, Canada
May 31, 1946, filed 500,000 shares of common (par $1). **Underwriters**—Sabiston-Hughes, Ltd., Toronto. **Offering**—Shares will be offered to the public at 75 cents a share. **Proceeds**—Net proceeds, estimated at $300,000, will be used for mining operations.

Detroit Edison Co., Detroit
June 27 filed $60,000,000 of general refunding mortgage bonds, series "I," due 1982. **Underwriting**—To be determined by competitive bidding. Probable bidders: The First Boston Corp.; Halsey, Stuart & Co. Inc.; Coffin & Burr; Spencer Trask & Co.; Dillon, Read & Co. Inc. **Proceeds**—To redeem outstanding mortgage bonds, series "F," due 1965, to repay bank loans, and for property additions.

Disticraft, Inc., Chicago
May 8 (letter of notification) 15,000 shares Class B common. **Price**—At market. All or part of the securities may be sold through Bennett, Spanier & Co., Chicago, as agent. The shares are being sold on behalf of three officers of the company.

Divco Corp., Detroit
April 30 filed 34,963 shares ($1 par) common. **Underwriters**—Reynolds & Co. and Laurence M. Marks & Co., both of New York. **Price**—By amendment. **Proceeds**—Shares are being sold by a stockholder. Twin Coach Co., Kent, O., which will receive all proceeds.

Douglas Oil Co. of California (7/25)
March 13 (letter of notification) 11,500 shares ($25 par) 5¼% cumulative convertible first preferred. To be offered at a maximum of $26 a share. **Underwriters** — Pacific Co. of California, Cruttenden & Co., Pacific Capital Corp., all of Los Angeles; Brush Slocumb & Co., San Francisco; and Adele W. Parker, Clearwater. To purchase 493 shares of capital stock of G. H. Cherry, Inc. out of a total of 625 such shares presently outstanding.

Drackett Co., Cincinnati
April 28 filed 14,300 ($1 par) common shares. **Underwriter**—Van Alstyne, Noel & Co. **Proceeds**—Stock is being sold by Harry R. Drackett, President (6,929 shares) and Charles M. Drackett, 7,371 shares). **Price** — By amendment.

Duraloy Co., Scottdale, Pa.
March 12 (letter of notification) 25,000 shares ($1 par) common on behalf of the issuer, 12,500 shares ($1 par) common for the account of Thomas R. Heyward, Jr., and 12,500 shares ($1 par) common for the account of Mrs. Thomas R. Hayward, Jr. **Price**—At market (approximately $3.25 per share). **Underwriter**—Johnson & Johson, Pittsburgh, Pa., and The First Cleveland Corp., Cleveland. The company will use its proceeds for working capital.

(Continued on page 42)

NEW ISSUE CALENDAR

(Showing probable date of offering)

July 24, 1947

Florida Power Corp. — Common

July 25, 1947

Atlas Plywood Corp. — Common
Douglas Oil Co. of Calif. — Preferred
Victory Chemical Co. — Pfd. and Com.
Victory Chemical Works — Preferred

July 28, 1947

Mississippi Power Co., Noon (EDT) — Bonds & Pfd.
Public Service Co. of Colo., 11 a.m. (EDT) — Preferred
Thermoid Co. — Common

July 29, 1947

Florida Power & Light Co. — Bonds., Debs., Pfd.

July 30, 1947

New York Central RR. — Equip. Trust Ctfs.

August 4, 1947

Stevens (J. P.) & Co. — Capital Stock

August 5, 1947

Chicago Transit Authority, 10 a.m. (CST) — Bonds
Illinois Central RR. (noon) — Equip. Trust Ctfs.
Lerner Stores Corp. — Debentures
Northern Pacific Ry. — Conditional Sale Agreem't
Rochester Telephone Corp. — Preferred

August 11, 1947

Acme Electric Corp. — Common
Manhattan Coil Corp. — Debs., Pfd. & Com.

(Continued from page 41)

East Coast Electric Co.
Mar. 28 filed 60,000 shares of $10 par common. **Underwriters**—To be determined by competitive biding. Probable bidders include Harris, Hall & Co. (Inc.); Otis & Co.; Kidder, Peabody & Co. The stock is being offered by East Coast Public Service Co., parent. Bids for purchase of the stock scheduled for May 19 has been postponed indefinitely.

Edelbrew Brewery, Inc., Brooklyn, N. Y.
Dec. 31, 1946, filed 5,000 shares ($100 par) 5% non-cumul. preferred. **Underwriters**—None. **Offering**—To be offered at par to customers, officers and employees of the company. **Proceeds** — For corporated purposes including modernization and improvement of the manufacturing plant and machinery and equipment.

Empire Projector Corp., New York
July 1 (letter of notification) 20,000 shares ($10 par) 4½% cumulative convertible preferred and 20,000 shares ($1 par) common. **Price** — $10 a preferred share and $1.315 a common share. **Underwriter**—Philip L. Pritchard. For working capital.

Fairport Materials Corp., New York
April 29 (letter of notification) 2,250 shares (no par) $5 cumulative preferred and 22,500 shares (1c par) common. **Price**—$100.50 per unit, consisting of one share of preferred and 10 shares of common. **Underwriter**—Eastman, Dillon & Co., New York. To purchase machinery and equipment and for other working capital requirements.

Federal Electric Products Co., Newark, N. J.
Feb. 26, filed 150,000 shares ($1 par) common class A. **Underwriter**—E. F. Gillespie & Co., Inc., New York. **Price**—$7.25 a share. The registration states principal stockholder has granted the underwriters an option to purchase 45,000 shares of class B ($1 par) common at $7.25 a share, exercisable for a period of three years. **Proceeds**—Proceeds of approximately $870,000, together with $755,000 of other bonds, will be used to repay the balance of $34,000 of a property mortgage, to pay off loans in the amount of $1,295,000 to Bankers Commercial Corp., New York, and for additional working capital.

Florida Power Corp. (7/24-25)
June 4 filed 100,000 shares ($7.50 par) common. **Underwriters** — Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane. **Offering**—The shares will be offered for subscription to common stockholders of record July 9 in the ratio of one share for each 10 shares being held. Rights will expire July 23. **Price**—$14 per share. **Proceeds**—To be used in $9,450,000 construction program.

Florida Power & Light Co., Miami, Fla. (7/29)
June 24 filed $10,000,000 of first mortgage bonds, due 1977; $10,000,000 of sinking fund debentures, due 1972, and 150,000 shares of $100 par cumulative preferred. **Underwriters**—Names to be filed by amendment. Probable bidders: Halsey, Stuart & Co. Inc. (bonds); The First Boston Corp.; Glore, Forgan & Co. and W. C. Langley & Co. (jointly); Lehman Brothers (preferred); White, Weld & Co. (bonds); Central Republic Co. and Drexel & Co. (jointly). **Proceeds**—To redeem outstanding debentures, serial notes, and promissory notes, and for expansion of facilities. **Bids**—Bids for the purchase of the securities will be received on or before 1 p.m. (EDT) July 29 at 2 Rector Street, New York. Separate bids for the bonds, debentures and stocks will be received.

● **Fowler Farm Oil Corp., Duncan, Okla.**
July 14 (letter of notification) 125,000 shares ($1 par) common. **Price**—$1 a share. No underwriting, to be sold through president of company. For drilling test well for oil and gas and for equipment.

Glensder Textile Corp., New York
Aug. 28, 1946, filed 355,000 shs. ($1 par) common, of which 55,000 shs. are reserved for issuance upon the exercise of stock purchase warrants. **Underwriter**—Van Alstyne, Noel & Co. **Offering**—The 300,000 shares are issued and outstanding and being sold for the account of certain stockholders. Company has also issued 55,000 stock purchase warrants to the selling stockholders at 10 cents a share entitling them to purchase up to Aug. 1, 1949, common stock of the company at $11 a share. **Price** by amendment. Offering temporarily postponed.

● **Gold-O-Lite-Lifetime-Super Lubricant Co., Prescott, Ariz.**
July 15 (letter of notification) 4,200 shares of capital stock. **Price**—$10 a share. No underwriting. For purchase and acquiring of real property necessary for company operation.

Grolier Society, Inc., New York
April 2, 1947 (by amendment) 170,000 shares of $1 par common stock. **Underwriters**—Riter & Co. and Hemphill, Noyes & Co. **Offering**—Underwriters will purchase from the company 70,000 shares and from Fred P. Murphy and J. C. Graham, Jr., 100,000 shares of issued and outstanding common. **Proceeds**—For reduction of bank loans.

● **Hammond Instrument Co., Chicago**
July 16 (letter of notification) $100,000 of ($1 par) common, being sold by Laurens Hammond, President of the company. Prices to be determined at time of sale. **Underwriting**—Paul H. Davis & Co., Chicago.

Hartfield Stores, Inc., Los Angeles
June 27, 1946 filed 120,000 shares ($1 par) common. **Underwriters**—Van Alstyne, Noel & Co., New York, and Johnston, Lemon & Co., Washington, D. C. **Offering**—To be offered to the public at $5 a share. **Proceeds**—Company is selling 50,000 shares and stockholders are selling 75,000 shares. The company will use its proceeds to pay the costs of opening additional stores and to expand merchandise in its existing stores. Offering temporarily postponed.

Helicopter Air Transport, Inc., Camden, N. J.
March 14 filed 270,000 shares of capital stock. **Underwriter**—Strauss Bros., Inc., New York. Underwriters may withdraw as such. **Price**—$3.50 a share. **Proceeds**—Net proceeds will be used to pay obligations, purchase helicopters and equipment and for working capital.

Hooker Electrochemical Co.
June 26 filed 110,000 shares (no par) cumulative preferred, series A. **Underwriting**—Smith, Barney & Co., New York. **Price**—By amendment. **Proceeds**—To redeem outstanding shares of $4.25 cumulative no par preferred at $104 a share and for construction expenditures. Offering indefinitely postponed.

Illinois Power Co., Decatur, Ill.
June 17, 1946 filed 200,000 shares ($50 par) cumu. preferred stock and 966,870 shares (no par) common stock. **Underwriters**—By competitive bidding. Probable bidders include Blyth & Co., Inc.; The First Boston Corp.; W. E. Hutton & Co. **Proceeds**—Net proceeds from the sale of preferred will be used to reimburse the company's treasury for construction expenditures. Net proceeds from the sale of common will be applied for redemption of 5% cumulative convertible preferred stock not converted into common prior to the redemption date. The balance will be added to treasury funds. Company has asked the SEC to defer action on its financing program because of present market conditions.

Inglewood Gasoline Co., Beverly Hills
July 7 (letter of notification) 100,414.8 shares ($1 par) capital stock. **Price**—$1 a share. To be offered to stockholders. Unsubscribed shares to be offered publicly through Bennett & Co., Hollywood. To purchase equipment, liquidate indebtedness, and for working capital.

Interstate Power Co., Dubuque, Iowa
May 13 filed $19,400,000 of first mortgage bonds, due 1977, and 3,000,000 shares ($3.50 par) capital stock. **Underwriters**—To be determined by competitive bidding. Probable bidders: Lehman Brothers; Goldman, Sachs & Co., and The First Boston Corp. (jointly); Halsey, Stuart & Co. Inc. (bond only); Harriman Ripley & Co., and Dillon, Read & Co. Inc. (stock only). **Proceeds**—For debt retirement, finance new construction and for working capital.

Jahn & Ollier Engraving Co.
Feb. 26, filed 102,000 shares ($1 par) common. **Underwriter**—Sills, Minton & Co., Inc., Chicago. **Price**—By amendment. **Proceeds**—The shares, which constitute approximately 48.5% of company's outstanding common stock, are being sold to stockholders.

Kentucky Utilities Co., Lexington, Ky.
May 9 filed 130,000 shares ($100 par) cumulative preferred. **Underwriters**—To be determined by competitive bidding. Probable bidders include The First Boston Corp.; Union Securities Corp. and Merrill Lynch, Pierce, Fenner & Beane (jointly) and Lehman Brothers and Lazard Freres & Co. (jointly). **Offering** — Preferred stock initially will be offered in exchange for outstanding ($100 par) 6% preferred and ($50 par) junior preferred. The basis of exchange will be one share of new preferred for each share of 6% preferred and one share of new preferred for each two shares of junior preferred. Shares of new preferred not issued in exchange will be sold at competitive bidding. Price to be determined by competitive bidding. **Proceeds**—Proceeds from the sale of new preferred will be used to redeem unexchanged shares of old preferred. **Bids**—Bids for purchase of stock advertised for July 14 has been postponed.

● **Lamston (M. H.), Inc., New York**
July 18 (letter of notification) 300 shares ($1 par) common, being offered on behalf of Harold Stone, Executive Vice-President of the company. To be sold at market. **Underwriting**—First Colony Corp., New York.

La Plant-Choate Manufacturing Co., Inc., Cedar Rapids, Iowa
April 30 filed 60,000 shares ($25 par) 5% cumul. convertible preferred. **Underwriter**—Paul H. Davis & Co., Chicago. **Price**—$25 per share. **Proceeds**—To be added to working capital and will be used in part to reduce current bank loans.

Lay (H. W.) & Co., Inc., Atlanta
April 18 filed 16,000 shares ($50 par) 5% cumulative convertible preferred and 15,000 shares ($1 par) common. **Underwriter**—Clement A. Evans & Co., Inc., Atlanta. **Offering**—All but 3,000 shares of the common will be sold publicly at $6.50 a share. The preferred will be offered to the public at $50 a share. The 3,000 shares of common not sold publicly will be offered to company officers and employees at $5 each. **Proceeds**—For construction of new plants at Atlanta and Memphis, Tenn. Offering indefinitely postponed.

Legend Gold Mines, Ltd., Toronto, Canada
June 27 filed 300,000 shares ($1 par) common treasury stock. **Underwriting** — To be supplied by amendment. **Price**—50 cents a share. **Proceeds**—To develop mining properties. **Business**—Mining.

Lerner Stores Corp., Baltimore, Md. (8/5)
July 18 (by amendment) $10,000,000 20-year sinking fund debentures due 1967. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, N. Y. Price by amendment. **Proceeds**—To repay bank loan and provide funds or reimburse Treasury for funds used for expenditures, etc. [Originally company filed 100,000 shares ($100 par) preferred stock.]

Libby, McNeill & Libby
April 30 filed 100,000 shares (no par) preferred stock. **Underwriter** — Glore, Forgan & Co. **Offering** — Stockholders will be given the right to subscribe to the new stock at the rate of one share of preferred for each 36 shares of common owned. **Proceeds**—The money will be used to complete a plant at Sunnyvale, Calif., and for other corporate purposes. Offering temporarily postponed.

Lock Nut Corp. of America, Chicago
June 17 filed 50,000 shares ($12.50 par) 5% cumulative preferred and 250,000 shares ($1 par) common. **Underwriting**—No underwriting. **Price**—$17.50 per unit consisting of one share of preferred and five shares of common. **Proceeds**—For payment of outstanding notes and for purchase of machinery and equipment.

Loew's Inc., New York
June 20 filed 59,676 shares (no par) common. **Underwriting**—To be sold at market through regular brokers. **Offering**—To the Public. **Proceeds**—The shares are being sold by Nicholas M. Schenck, President, who will receive proceeds.

● **Los Gatos (Calif.) Auto Supply Co.**
July 16 (letter of notification) $60,000 ($10 par) common of which $15,000 will be issued to Fred E. Baker, President of the company, $15,000 to A. B. DeLisle, Secretary-Treasurer and $30,000 will be offered publicly at $10 a share. No underwriting. For expansion of business.

Manhattan Coil Corp., Atlanta, Ga. (8/11-15)
May 20 filed $500,000 5% serial debentures, due 1949-1957; 12,000 shares ($25 par) 5½% cumulative convertible preferred and 85,000 shares ($1 par) common. **Underwriter**—Kirchofer & Arnold, Inc., Raleigh, N. C. **Price**—The debentures at 102.507, while the preferred shares will be offered at par and the common shares at $4 each. **Proceeds**—To retire bank indebtedness and to finance purchase of machinery and other plant equipment.

Manontqueb Explorations, Ltd., Toronto, Can.
April 10 filed 300,000 shares ($1 par) common. **Underwriter**—F. H. Winter & Co. **Price**—40 cents a share. **Proceeds**—For exploration and development of mining claims. **Business**—Mining.

Mays (J. W.) Inc., Brooklyn, N. Y.
Feb. 28 filed 150,000 shares ($1 par) common. **Underwriter**—Burr & Co., Inc., New York. Price by amendment. **Proceeds**—Of the total, 100,000 shares are being sold by seven stockholders. The remaining 50,000 shares are being sold by the company, which will use its proceeds for general corporate purposes.

Mill Reef Properties, Ltd., Antigua, Leeward Islands, British West Indies
June 26 filed $780,000 (B. W. I.) of unsecured debentures, due 1977, 3% interest after Jan. 1, 1950; and 8,500 shares of $1 (B. W. I.) par capital stock. **Underwriting**—The shares may be sold through officers and directors of the company. **Price**—Per unit: $6,000 B. W. I. ($5,100 U. S.) debentures and 60 capital shares. The company will issue an additional 700 shares of capital stock to Robertson Ward, President, as compensation for services. **Proceeds**—To acquire property and construction of club facilities.

Mississippi Power (7/28)
June 27 filed $2,500,000 of first mortgage bonds, due 1977, and 20,039 shares ($100 par) preferred. **Underwriting**—Bonds will be sold at competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc. (bonds only); The First Boston Corp.; Blyth & Co., Inc.; Kidder, Peabody & Co., and White, Weld & Co. (jointly); Glore, Forgan & Co., and W. C. Langley & Co. (jointly). **Offering**—The bonds will be offered publicly while the preferred will be offered to the company's $6 preferred stockholders in exchange for their present holdings on a share for share basis, plus cash. Shares of new preferred not issued in exchange will be offered publicly through underwriters. **Price**—Price of bonds will be determined by competitive bidding. Price of preferred will be supplied by amendment. **Proceeds**—To finance new construction. **Bids Invited**—Company is inviting bids for the purchase from it of $2,500,000 first mortgage bonds and for services in obtaining exchanges of shares of its presently outstanding $6 preferred stock (20,099 outstanding) for shares of new preferred stock and for the purchase of such of the 20,099 shares of new preferred stock as are not required to effect exchanges. Proposals are to be presented to the company, at office of Commonwealth & Southern Corp. (N. Y.), 20 Pine St., New York 5, N. Y., before noon (EDT), July 28.

Morris Plan Corp. of America, N. Y.
Mar. 31 filed $3,000,000 debentures. **Underwriter**—Eastman, Dillon & Co., New York. Price by amendment. **Proceeds**—To retire outstanding bank loans.

● **Narragansett Brewing Co., Cranston, R. I.**
July 15 (letter of notification) 1,646 shares (no par) common. **Price**—$180 a share. No underwriting. For plant replacements and improvements.

Nickel Cadmium Battery Corp., Easthampton, Mass.
June 2 (letter of notification) 30,000 shares ($10 par) 6% cumulative convertible preferred. **Price**—$10 a share. **Underwriter**—Harrison White, Inc., New York. **Proceeds**—To be added to general funds for general corporate purposes.

● **Occident Petroleum Co., Rifle, Colo.**
July 14 (letter of notification) $120,000 of securities to be offered publicly at $100 a unit and $180,000 of securities to pay for oil and gas leases. No underwriting. To drill test well.

Old Poindexter Distillery, Inc., Louisville, Ky.
Mar. 31 filed 50,000 shares ($20 par) 5% convertible cumulative preferred and an unspecified number of ($1 par) common shares into which the preferred is convertible. **Underwriters**—F. S. Yantis & Co., and H. M. Byllesby & Co., both of Chicago. **Price**—At par. **Proceeds**—To be added to working capital. Offering indefinitely postponed.

Oneida, Ltd., Oneida, N. Y.
May 27 (letter of notification) 20,500 shares ($12.50 par) common. **Price**—$12.50 a share. Offered at par to common stockholders of record June 13 at rate of one new share for each 10 shares held. Rights expire Aug. 13. No underwriting. For additional working capital.

● **Osco Drug, Inc., Chicago, Ill.**
July 15 (letter of notification) $50,000 of participating debentures, 1967. **Price**—$1,000 per unit. No underwriting. To equip, stock and furnish working capital for two drug stores to be opened at Danville and Kewanee, Ill.

● **Pin Up Pencil Co., Inc., Centralia, Ill.**
July 14 (letter of notification) 100,000 shares (no par) common. **Price**—$2.25 a share. No underwriting. For machinery and general operation of business.

● **Plywood Inc., Detroit**
July 18 filed $500,000 5% sinking fund debentures, due 1967, and 200,000 shares ($1 par) common. **Underwriter**—P. W. Brooks & Co., Inc., New York, is principal underwriter for debentures and Baker, Simonds & Co., Detroit, is principal underwriter for the common. **Price**—Debentures will be sold at par with a 9% discount to underwriter while common will be sold at $2 a share with a discount of 30 cents a share to the underwriters. **Proceeds**—To purchase all the outstanding stock of Kalpine Plywood Co., Klamath Falls, Ore., and to retire bank indebtedness and for working capital. **Business**—Manufacture of plywood.

Potomac Electric Power Co., Washington, D. C.
July 10 filed 140,000 shares ($50 par) preferred, entitled to cumulative dividends. **Underwriting**—To be determined by competitive bidding. Probable bidders include Alex. Brown & Son; Kidder, Peabody & Co.; The First Boston Corp. **Offering**—Stock will be offered in exchange for outstanding 5½% preferred, series of 1927, in the ratio of two shares of new preferred for each old preferred share, plus cash adjustments. Shares of new preferred not issued in the exchange will be sold to underwriters. **Proceeds**—The new stock will be issued for the purpose of refinancing the old preferred at a lower dividend rate. Cash proceeds will be used to make the cash adjustments and to repay temporary bank loans made for the purpose of redeeming old preferred shares.

Public Service Co. of Colorado (7/28)
July 3 filed 160,000 shares ($100 par) cumulative preferred. **Underwriting**—To be determined by competitive bidding. Probable bidders include: The First Boston Corp.; Glore, Forgan & Co., and W. C. Langley & Co. (jointly); Blyth & Co., and Smith, Barney & Co. (jointly). **Offering** — Successful bidders will offer 62,199 shares of the total issue to present holders of company's 5, 6 and 7% preferred stocks for exchange on a share for share basis plus an undetermined amount of cash. Shares of new preferred not issued in exchange will be sold to the public. **Proceeds** — To finance new construction. **Bids Invited**—Company will receive bids up to 11 a.m. (EDT) July 28 at office of Guaranty Trust Co., 140 Broadway, New York, for the purchase of the stock.

Public Service Co. of Indiana Inc.
March 26 filed $11,077,800 15-year 2¾% convertible debentures. **Underwriters** — None. **Offering** — Common stockholders of record July 16 will be given right to subscribe in the ratio of $10 principal amount of debentures for each share of common held. Rights will expire Aug. 18. The debentures will be convertible into common from May 1, 1947, to Dec. 31, 1951. **Price**—Par. **Proceeds** For repayment of $11,500,000 of bank loan notes.

Public Service Co. of New Mexico
May 29 filed 20,000 shares ($100 par) cumulative preferred. **Underwriters**—To be sold through competitive bidding. Probable bidders include Blyth & Co. Inc.; The First Boston Corp. and White, Weld & Co. (jointly); Otis & Co.; Glore, Forgan & Co.. **Proceeds**—Will be added to general funds to be used for expansion program. **Bids Invited**—No bids received July 9 for the preferred stock.

Quebec Gold Rocks Exploration Ltd., Montreal
Nov. 13, 1946, filed 100,000 shs. (50¢ par) capital stock. **Underwriter**—Robert B. Soden, Montreal, director of company. **Price**—50¢ a share. **Proceeds**—For exploration and development of mining property.

Raleigh Red Lake Mines, Ltd., Toronto, Can.
June 9 filed 460,000 shares of stock. **Underwriter**—Mark Daniels & Co., Toronto. **Price**—25 cents a share. **Proceeds**—To finance diamond drilling and land surveys.

Refrigerated Cargoes, Inc., New York
Feb. 3 filed 25,000 shares ($100 par) 6% cumulative preferred and 25,000 shares (no par) common. **Underwriter**—John Martin Rolph, Vice-President and director of company. **Price**—The stocks will be sold at $105 per unit consisting of one share of preferred and one share of common. **Proceeds**—To be used in organization of business.

Republic Pictures Corp., New York
Registration originally filed July 31, 1946, covered 184,823 shares of $1 cumulative convertible preferred ($10 par) and 277,231 shares (50c par) common stock, with Sterling, Grace & Co. as underwriters. Company decided to issue 454,465 shares of common stock only, which were to be offered for subscription to stockholders of record Sept. 5, 1946, to the extent of one share for each five held. Issue not to be underwritten.

Rochester (N. Y.) Gas & Electric Corp.
May 26 filed $16,677,000 first mortgage bonds, Series L, due 1977, and 50,000 shares ($100 par) preferred stock. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Glore, Forgan & Co.; Merrill Lynch, Pierce, Fenner & Beane; Harriman Ripley; Lehman Brothers; The First Boston Corp. and Smith, Barney & Co. (jointly). **Proceeds**—To redeem all of its outstanding $7,675,000 bonds and to repay $3,500,000 bank loan and to finance new construction. Corporation has temporarily abandoned the proposed financing, it was announced June 17, due to "unacceptable" conditions of New York P. S. Commission. Instead company June 18 asked SEC permission to issue unsecured notes.

Rochester (N. Y.) Telephone Corp. (8/5)
June 4 filed 67,500 shares ($100 par) cumulative preferred. **Underwriting**—By competitive bidding. Probable bidders—Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); Blyth & Co., Inc.; Glore, Forgan & Co.; Shields & Co. **Proceeds**—To redeem 4½% series A first cumulative preferred, pay off demand notes, and for property expansion and conversion of telephone system from manual to automatic dial operation in Rochester. **Bids**—Bidding for securities tentatively set for Aug. 5.

● **Royal Imprints Inc., Lewisburg, Pa.**
July 17 (letter of notification) 10,000 shares ($10 par) 5% cumulative participating preferred. **Price**—$10.50 a share. **Underwriter**—S. M. Walter & Co., Harrisburg, Pa. For retirement of bank notes and for working capital.

Salant & Salant, Inc., New York
March 28 filed 240,000 shares ($2 par) capital stock. Underwriter—Eastman, Dillon & Co., New York. Price by amendment. Proceeds—Shares are being sold by 13 stockholders who will receive proceeds.

Sanitary Products Corp., Taneytown, Md.
June 25 (letter of notification) 1,420 shares ($50 par) cumulative convertible preferred. **Price**—$50 a share. **Underwriter**—Jackson and Co., Boston, will be underwriter for 1,300 shares. The remaining 120 shares will not be underwritten. For working capital and organization expenses.

Service Caster & Truck Corp., Albion, Mich.
April 10 filed 32,000 shares ($25 par) $1.40 convertible preferred and 53,962 shares ($1 par) common. **Underwriter**—Smith, Burris & Co., Chicago. **Price**—$25 a preferred share and $10 a common share. **Proceeds**—Proceeds, together with funds to be provided by a term bank loan, will be used to discharge indebtedness to Domestic Credit Corp.

● **Smith Alfalfa & Livestock Corp., Reno, Nev.**
July 11 (letter of notification) 100,000 shares ($1 par) common. **Price**—$1 a share. Sale to be supervised by Glen E. Knoll, Secretary-Treasurer of company. For payment of trust deed on land and for working capital.

● **Sta-Kleen Bakery, Inc., Lynchburg, Va.**
July 18 (letter of notification) 100,000 shares of common of which 45,500 will be exchanged for outstanding common, 45,450 shares will be issued as a stock dividend, 9,090 will be sold to existing stockholders at $10 a share and 10 shares will be sold to underwriters at $10 a share. **Underwriter**—Scott, Horner & Mason, Inc., Lynchburg, Va. For expansion of plants and for equipment.

Stevens (J. P.) & Co., Inc., N. Y. (8/4-5)
July 14 filed 200,000 shares ($15 par) capital stock. **Underwriters**—Morgan Stanley & Co. and Harriman Ripley & Co., New York. Price by amendment. **Proceeds**—All of the proceeds go to the estate of Nathaniel Stevens, owner of the shares. **Business** — Wool manufacturing firm.

● **Stowe Center, Inc., Stowe, Vt.**
July 18 (letter of notification) 10,000 shares ($1 par) Class A common; 10,000 shares (10¢ par) Class B common. **Price**—$25 a Class A share and $2.50 a Class B share. No underwriting. For working capital.

Strauss Fasteners Inc., New York
March 25 filed 25,000 shares of 60 cents cumulative convertible preferred. **Underwriter**—Floyd D. Cerf Co. Inc., Chicago. **Offering**—The shares initially will be offered for subscription to common stockholders of Segal Lock & Hardware Co. Inc., parent, at $9 a share in the ratio of one share of preferred for each 30 shares of Segal common held. Unsubscribed shares of preferred will be offered publicly at $10 a share. **Proceeds**—For additional working capital.

Textron Inc., Providence, R. I.
Feb. 28 filed 300,000 shares ($25 par) 5% convertible preferred. **Underwriters**—Blair & Co., Inc., New York, and Maxwell, Marshall & Co., Los Angeles. Price by amendment. **Proceeds**—For payment of $3,950,000 of bank loan notes; purchase of two notes issued by a subsidiary, Textron Southern Inc. in the amount of $1-000,000 each, and for working capital. Offering date indefinite.

Thermoid Co., Trenton, N. J. (7/28-31)
June 27 filed 161,626 shares ($1 par) common. **Underwriting**—Blyth & Co., Inc., New York. **Offering**—Of the total, 111,626 shares will be offered in exchange to stockholders of Asbestos Manufacturing Co. on the basis of two shares of Thermoid common for one share of Amco cumulative convertible preference stock and one share of Thermoid common for four shares of Amco common. The remaining 50,000 shares will be offered publicly. **Proceeds**—Proceeds from the public sale will be used to purchase 90,000 shares of Amco common for $225,000 which will assure it voting control of Amco. The balance of proceeds will be added to working capital.

● **Thompson Hybrid Corn Co., Inc., Belmond, Iowa**
July 16 (letter of notification) 50 shares ($100 par) 5% preferred and 500 shares ($100 par) common. **Price**—$100 per unit. No underwriting. For working capital.

Thomascolor Inc., Los Angeles
July 9 filed 1,000,000 shares ($5 par) class A common. **Underwriter**—No underwriting. **Price**—$10 a share. **Proceeds**—To purchase production facilities and for working capital.

● **Trenton Chemical Co., Detroit, Mich.**
July 18 (letter of notification) 250,000 shares ($1 par) convertible preference common. **Price**—$1 a share. **Underwriter** — Carr & Co., Detroit. For plant improvements and for working capital.

United States Television Mfg. Corp.
June 18 filed 75,000 shares of 5% convertible preferred stock (par $4). **Underwriters**—William E. Burnside & Co., Inc. and Mercer Hicks & Co. **Offering**—To be offered at par. **Proceeds**—For general corporate purposes as additional working capital. Registration statement is expected to become effective this week.

United Utilities & Specialty Corp., Boston
July 10 filed 75,000 shares ($10 par) 5% cumulative convertible preferred. **Underwriter**—Herrick, Waddell & Co., Inc., New York. **Price**—$10 a share. The underwriters will receive a commission of $1.50 per share. In addition, they will be granted warrants to purchase 50,-000 shares of the issuer's common at $5 a share. **Proceeds**—For additional working capital.

Utah Chemical & Carbon Co.
Dec. 20 filed $700,000 5% 15-year convertible debentures due 1962, and 225,000 shares ($1 par) common. The statement also covers 112,000 shares of common reserved for conversion of the debentures. **Underwriter**—Carver & Co., Inc., Boston. **Price**—Debentures 98; common $3.75 per share. **Proceeds**—For plant construction, purchase of equipment and for working capital. Registration statement became effective June 28.

● **Vargas Kontrol-Kap Corp., Detroit, Mich.**
July 18 (letter of notification) preorganization subscriptions for 5,000 shares ($20 par) 6% cumulative preferred and 15,000 shares of common. **Price**—$20 a preferred share. The common will be issued as a bonus in the ratio of three shares for each share of preferred purchased. No underwriting. For organization expenses and for working capital.

Vauze Dufault Mines, Ltd., Toronto, Canada
Mar. 31 filed 500,000 shares ($1 par) common. **Underwriter**—Name to be filed by amendment. **Price**—50 cents a share. **Proceeds**—For general operating expenses.

● **Victory Chemical Co., Inc., Buffalo (7-25)**
July 18 (letter of notification) 2,000 shares ($100 par) 6% cumulative first preferred; 500 shares ($100 par) 5% cumulative second preferred and 2,500 shares (no par) common. **Price**—$100 for each preferred share. The common will be exchanged for presently outstanding

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(Continued from page 43)

common on the basis of five shares of new common for each share of old common. No underwriting. To pay outstanding obligations and for working capital.

Victor Chemical Works, Chicago (7/25)
July 15 filed 40,000 shares ($100 par) 3½% cumulative preferred, second series. **Underwriter** — F. Eberstadt & Co., New York. Price by amendment. **Proceeds** — To increase production facilities at Mt. Pleasant, Tenn., plant and for construction of new plant. **Business**—Chemical business.

● **WE Inc., Buffalo, N. Y.**
July 18 (letter of notification) 1,000 shares (no par) common. **Price**—$100 a share. No underwriting. To purchase holdings and securities.

Weber Showcase & Fixture Co., Inc.
Mar. 31 filed 108,763 shares ($5 par) common. **Underwriters**—Blair & Co., Inc. and Wm. R. Staats Co. **Offering**—Shares will be offered for subscription to Weber's common stockholders. Certain shareholders have waived subscription rights. **Proceeds**—To retire preferred stock and to reduce bank loans. Reported July 16 that the present plans will be entirely changed.

● **Whitefield Life Insurance Co., Dalton, Ga.**
July 21 (letter of notification) 10,000 shares ($10 par) capital stock. **Price**—$20 a share. No underwriting. For capital surplus.

Wisconsin Power & Light Co., Madison, Wis.
May 21 filed 550,000 shares ($10 par) common stock **to be sold at competitive bidding. Underwriters**—By amendment. Probable bidders include Glore, Forgan & Co., and Harriman Ripley & Co. (jointly); The Wisconsin Co.; Dillon, Read & Co., Inc. **Proceeds**—Part of the shares are to be sold by Middle West Corp., top holding company of the System, and part by preference stockholders of North West Utilities Co., parent of Wisconsin, who elect to sell such shares of Wisconsin common which will be distributed to them upon the dissolution of North West Utilities Co.

Wembley, Inc., New Orleans, La.
July 14 (letter of notification) 12,000 shares ($25 par) preferred. **Price**—$25 a share. **Underwriting**—D'Antoni & Co.; Howard Labouisse Friedrichs & Co.; Weil & Arnold; Woolfolk, Huggins & Shober; Kohlmeyer, Newburger & Co., all of New Orleans. For operating capital.

● **Western States Casualty Co., Helena, Mont.**
July 16 (letter of notification) 1,997 shares ($100 par) common. **Price**—$150 a share. No underwriting. To finance stock casualty insurance company.

Prospective Security Offerings

(NOT YET IN REGISTRATION)
● INDICATES ADDITIONS SINCE PREVIOUS ISSUE

● **Chicago Transit Authority (8/5)**
Bids for purchase of $40,000,000 of serial bonds maturing from July 1, 1953 to 1972, and $65,000,000 sinking fund coupon bonds maturing July 1, 1978, will be received up to 10 a.m. (CDT), Aug. 5, at office of the Authority, Room 1940, 20 N. Wacker Drive, Chicago. Probable bidders include: Harris, Hall & Co. (Inc.); Blyth & Co., Inc., and The First Boston Corp. (jointly); Otis & Co.

● **Equitable Office Building Corp.**
July 22 two underwriting offers to provide cash for payment in full of principal and interest on corporation's debentures were considered at a hearing before Federal Judge John C. Knox. One offer was made by an underwriting group headed by Wertheim & Co., and the other by the Manufacturers Trust Co.

● **Illinois Central RR. (8/5)**
July 21 company has asked the ICC for authority to issue $4,400,000 of series X equipment trust certificates to be dated Aug. 1, 1947 and to mature in 20 semi-annual instalments. The road asked permission to issue and presently sell an instalment of $1,200,000 of the series X certificates in order to purchase 400 50-ton hopper cars. The total program will cover the purchase of 1,400 hopper cars. Certificates are to be sold at competitive bidding (noon) Aug. 5. Probable bidders include: Halsey, Stuart & Co. Inc.; Harris, Hall & Co. (Inc.); Salomon Bros. & Hutzler.

● **Metropolitan Water Sewerage & Drainage Board, Sydney, Australia**
July 22 reported that the above entity of New South Wales, Australia, contemplates the issuance of $6,000,000 bonds to refund outstanding 5½s due 1950, with Kidder, Peabody & Co. as underwriter.

● **New England Gas & Electric Association**
July 23 General Public Utilities Corp. filed an application with the SEC for permission to sell 311,361 shares (par $8) of New England Gas & Electric Association common stock. G. P. U. intends, by telegraphic notice, to invite prospective bidders, who shall have indicated their interest in purchasing the New England stock, to submit to G. P. U. written proposals for the purchase of the shares. Persons interested in bidding for the stock should advise H. A. Bush, Comptroller, G. P. U., Room 2401, 61 Broadway, New York. Probable bidders include, among others, The First Boston Corp.

● **New York Central RR. (7/30)**
The company has issued invitations for sealed tenders, to be opened July 30, on a new issue of $9,400,000 equipment trust certificates. The notes will mature serially 1948 to 1957, and will cover 75% of the cost of contemplated equipment. Probable bidders include: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

● **Northern Pacific Railway (8/5)**
The company is inviting bids for the lowest interest rate at which the bidder will provide $1,500,000 to finance the purchase and acquisition from Pacific Car & Foundry Co., under a conditional sale agreement of certain equipment. Bids will be received by H. S. Lathman, Treas., 176 E. Fifth St., St. Paul, Minn., on or before noon (CST), Aug. 5.

Traces Decline in Yield on Savings

Institute of Life Insurance cites data showing average overall interest rate has declined from 6% in 1921 to around 2¼%. Says society as whole and countless individuals and families are adversely affected.

According to the Institute of Life Insurance, "the nation has enjoyed phenomenal advances in recent years in principal components of the economy, such as the total value of production, individual and national income, consumer expenditures, savings, and the like. There is one important exception to this trend, however. That is the return on savings, which has not only failed to keep pace with the general progress of the economy but has actually suffered a drastic decline."

"Figures compiled by the U. S. Department of Commerce," the Institute says, " show that the return on savings is currently nearly a third less than it was in prewar 1939 and well under half the level of return that prevailed in the late '20s. Penalizing thrift to such an extent has far-reaching implications for the individual and family.

Effect on Individual

"The decline in the earning power of savings and investments has a direct effect on personal long-range security and protection programs which, under conditions as they are now, are falling short of meeting original objectives. This decline affects all thrift institutions through which pooled savings of individuals are put to work for their benefit and protection, such as life insurance, pension and retirement funds, savings banks, etc. In addition, serious problems are created for non-profit institutions — hospitals, churches, schools and institutions of higher learning, foundations and welfare organizations—whose ability to carry out programs for the public benefit is intimately related to their income from investments.

"Thus, whatever the case for 'cheap money' and low interest rates, society as a whole, and countless individuals and families in particular, are adversely affected in many ways when the return on savings falls to the extent that it has in recent years.

"The Department of Commerce figures used in this study show the annual interest payments in the economy from 1929 to the present and the total debt structure in each year from which interest payments are derived. The debt figures cover all private as well as public borrowings, and thus to a large extent represent the medium through which banks, life insurance companies and other thrift institutions invest their funds to meet their obligations to depositors and policyholders.

Debt and Interest Trends

"A summary of these figures shows that the total of this debt has more than doubled since 1929. On the other hand, annual interest payments emanating from this debt have followed a reverse course and in 1946 were about 10% lower than in 1929. As a result, the return on savings and investments has been cut more than in half. In other words, on an over-all basis more than $2 has to be saved and invested these days to bring the same return as a dollar did in 1929.

"In 1929, aggregate interest payments in the economy amounted to just under $13 billions. The total debt structure in that year was $214 billions. On a composite basis, therefore, dollars that were saved and invested by the American people as a whole in 1929 brought in an indicated return of about 6% as a reward for thrift.

"The nation's debt structure declined in the early '30s and then increased again as the Government spending program got under way. An integral part of Government deficit financing of the '30s was a 'cheap money' policy aimed at getting interest rates down. More recently Government action again affected the interest rate structure as a part of the war financing program. Thus Government policy with respect to money rates has been the dominant element in reducing the overall return on savings, not only because the Federal debt dominates the whole debt structure of the nation but because the course of interest rates on Government securities inevitably influences the return on all interest-bearing obligations.

"In 1940 the total debt structure crossed $215 billions, or slightly above the 1929 total. The total interest payments from this debt in 1940, however, came to only $8 billions, down more than a third from 1929. Thus the indicated return on savings and investments for 1940 was 3¾%, a decline of nearly 40% in a decade.

Developments in This War

"From 1940 on the cost of the war sent the overall debt structure up by leaps and bounds. In 1945 the total debt topped $453 billions, more than double the 1929 figure. But the total of interest payments in 1945, amounting to $10.2 billions, still fell 20% short of the total in 1929. This gave an indicated return on invested savings of 2¼% for 1945, a decline of nearly two-thirds from the 1929 level of return on savings.

Interest Payments vs. Debt

Year	Total Interest Paid (Billions of Dollars)	Total Debt (Billions of Dollars)	Estimated Average Overall Interest Rate (%)
1929	$12.9	$214.0	6
1930	11.6	213.9	5½
1931	10.7	202.9	5¼
1932	9.8	194.2	5
1933	8.9	186.1	4¾
1934	8.7	193.7	4½
1935	8.4	196.0	4¼
1936	8.2	201.9	4
1937	8.3	205.1	4
1938	8.0	202.9	4
1939	7.9	207.8	3¾
1940	8.0	215.7	3¾
1941	8.1	242.3	3¼
1942	8.0	295.1	2¾
1943	8.3	358.4	2¼
1944	9.0	422.7	2
1945	10.2	453.3	2¼
1946	11.5	*	---

*Not available.
Source: U. S. Department of Commerce.

"Total interest payments in the economy last year rose over a billion from the year before, reaching $11.5 billion or 10% below the 1929 total. Official figures on the 1946 debt total have not yet been compiled. Unofficial estimates are that the 1946 debt total was somewhere around the 1945 aggregate, with the decline of the Federal debt being offset by marked increases in various classifications of private debt such as consumer credit, home mortgages, and business borrowings. The new debt created carried a higher interest rate than that on the Federal debt retired in the year. If the 1946 debt total is assumed to be the same as in 1945, last year's annual interest payments of $11.5 billions would give an indicated return on savings and investments of about 2½% for the year. This return is little more than 40% of the 1929 level.

"The individual share of annual interest payments is given by the Department of Commerce in a classification called 'Personal Interest Income.' This classification includes the interest paid or credited to individuals from all known sources—investments, bank deposits, life insurance, etc.—and also the interest income of non-profit institutions, thrift organizations, and individuals owning non-corporate business.

Personal Interest Income

"These personal interest income figures make a somewhat better showing over the years than do those of the annual interest flow. In 1929, the total of personal interest income was $7½ billions, according to the Department of Commerce. The annual total declined to a low of $5.4 billions in 1939 and stayed at that level for the next three years. It then moved up and in 1946 reached $7.7 billions, or $200 millions above 1929.

"This apparent gain, however, is misleading, for in recent years individual savings, a major source of the personal interest income classification, have increased at a record-breaking rate. For example, accumulated long-term savings of individuals totaled $47.8 billions in 1929. At the end of 1946, this savings total had increased to $151.7 billions. Thus while personal savings as a whole have shown an extraordinary increase since 1929, the indicated return on these savings has barely held its own in overall dollar totals."

Let Industry Show the Way!

(Continued from page 4)

Then why do we stand idly by, listening to the talk of inexperienced Bureaucrats and do nothing ourselves about it.

When are we going to do something to stop the mad spiral—from increasing costs to increasing prices to increasing costs to increasing prices. It's going round and round alright but nothing but disaster will come out.

Who is taking a "look-see" at prices? Not labor and industry who certainly are the backbone of a free enterprise system and who have more to gain through it and more to lose without it than anyone else. Government is taking that "look." Who in government are the interrogators? Certainly they are not experienced manufacturers, distributors or retailers—and who are the witnesses? Many of us have not even yet recovered from the theories which were put into practice in the prewar period by long-haired economists.

We, the management of private industry, we the capitalists of private industry, we the believers in profit for application and ingenuity are not assuming our responsibility which calls for the solution of this great economic problem. We have surrendered to economists and Bureaucrats and we are letting them present to this country a picture of opposing sides when, in fact, there are no opposing sides. There can be no conflict against the free enterprise system by goverment ownership if America is to remain great and not surrender to Socialism and Communism.

This is the time for us to take a forthright, positive and public position. It is the time for those with "know-how" gained through experience to come forward and undertake the solution of this problem. No matter how much time it takes and regardless of the individual sacrifices.

Unless the free enterprise system which made America great emerges successfully from this war, we will in fact have lost the war. Surely this must not occur because industry and labor lack interest, aggressiveness, daring and outspoken leadership.

Why are we reticent in speaking out loudly in support of the free enterprise system? Are we afraid of being called big business—what is wrong with that? What indictment can be drawn against the President of a large corporation because he started as an office boy and worked his way up and became the head of the big business through hard work, perseverance, honesty and application and the right of freedom to earn profits.

Why, in fact, it is a story we should shout from the house-tops. And each and every one of us should become another "Horatio Alger"—pounding away always about the opportunities in this country—open to everyone, irrespective of race, creed or color—irrespective of their position at birth.

The youth of this country must never be permitted to forget that the American system of private capitalism affords opportunities which can never be attained under Socialism or State Capitalism. We must never let the statement that big industry grows at the expense of little business go unchallenged. It cannot be proven. The very existence of big industry depends upon the success of little business and not at the expense of little business. Any of us who have progressed and have enjoyed the freedom to earn profits have a debt to this nation and to its youth to see that America always continues to be great and that it never surrenders to Socialism or State Capitalism.

The free enterprise system is not in a political campaign. Hearings to determine proper price structure should not be promoted to picture a struggle between Capital and Labor. This economic problem calls for a unified effort by all of us—Labor and Capital, Manufacturers, Distributors and Retailers, with the common purpose to find an honest solution and to find that solution, those with the "know-how" must step forward and tell the facts and do the work.

Take a look at the record! Who are testifying and expressing their views before the Congressional Committees investigating this subject? Most of the witnesses are the past and present bureaucrats and Economists, none of whom are qualified through experience.

Even though I might have a high personal regard for such men as Henderson, Porter, Nathan, Gilbert, Ezekial, Krug, I would not hire any of them to tell me about manufacturing or distribution or sales or what would be a proper price structure.

Which one of you would hire them on the experience record they could fill in on an application bank? Would you entrust your business to them? Certainly, a search of the histories of their lives does not show a marked success in their private enterprise undertakings.

Are we going to surrender this all-important problem for solution to politicians, to bureaucrats, to theoretical economists? What production background have these men? What do they know about costs? What do they know about payrolls? What do they know about employee relations? What do they know about establishing prices to promote business? What successful sales plans have they ever formulated? What practical testing have they gone through to warrant their speaking so authoritatively on a matter which might well develop into the deciding point between free enterprise and Communism?

Isn't it about time we sat around the table with those of experience, with the single objective to prevent economic disaster and to foster and promote our free enterprise system? Isn't this the time for manufacturer, distributor and dealer to get together, and when that happens the consumer's interest will always be given top priority and America will always reward those deserving wages and profits?

Isn't this the time for big business and little business to get together for true leadership? Isn't this the time for coordination and cooperation?

Isn't this the time to call in the experienced who are not seeking a free political ride through appeal to the emotions of voters?

During the war, men of "know-how" from all branches of industry, from all segments of labor, of all ages and classes, responded to the call of the nation and worked as a team for the solution of the production problems without which the fighting phase of this war could not have been won. These are the same kind of people we now need to solve this economic problem so that the peace as well as the fighting phase of the war may be won and so that we may once again demonstrate that the American system of free enterprise—of private capitalism—is superior by any comparisons to Socialism or State Capitalism or Communism.

This is the time for the Wilsons and the Nelsons, the Goldens and the Keenans, the Murrays and the Greens, the Batts and the Weinbergs, the Knudsons and the Fords, the Tarzians, the Loscalzos, the Shanecks and the Modells, the Strausses and the Gimbels.

God Bless America and its Free Enterprise System!

Our Reporter's Report

The determined position of institutional portfolio buyers with regard to the yield basis on which they will be interested in a given security was quite forcibly set forth this week when the banking group which offered the recent New York Telephone Co. issue dissolved.

This $125,000,000 undertaking was brought on the market priced at 103 to yield approximately 2.62% return to the purchaser. But from gossip around the market place institutions which are the only logical purchasers of this high type of security were decidedly aloof on that basis.

Coincident with the winding up of the sponsoring syndicate, discussion in bond circles indicated that substantially less than half the total amount had been placed up to that time.

It was indicated, however, that insurance company buyers would be more disposed to take on the issue if it were available at a price that would lift the indicated return just a mite.

Accordingly, when the bonds were thrown on their own in the open market there was no suggestion of marked weakness. Rather the issue displayed a distinctly solid tone, backing off only a fraction from the offering price of 103.

Utility Versus Bankers

Once again it appears that officials of a public utility company are disposed to pit their judgment of market conditions against that of the investment bankers.

American Gas & Electric Co., earlier this week, offered its holdings of 522,416 shares of common stock of Atlantic City Electric Co., for sale at competitive bidding.

Two bids were entered for the stock, the best offering a price of $17.68 a share. This represented the consensus of 146 underwriters and dealers. American Gas & Electric announced rejection of the bids and, in lieu of formal explanation of its action, it was assumed that the company expected a price closer to the 19 to 20 range prevailing for the shares in the over-counter market.

Bankers noted, however, that there are only 90,000 shares of free stock aside from American Gas' holdings and that, likely, a good part of this is closely held. Moreover, the price fixed for public offering was 19¼ which was virtually on the market.

Pacific Power & Light

Pacific Power & Light Co.'s offering of $26,900,000 of new first mortgage bonds, due in 30 years, brought a rather wide range of bids from three competing groups.

The spread here at least carried the suggestion that perhaps bankers have finally reached the conclusion that it is better to be a little conservative and risk the loss of an issue than it is to over-bid and consequently find yourself "hung" with the possibility of a loss.

The successful group here paid the company 101.814 for a 3¼% coupon. The runner-up offered 101.045 while the third group bid 100.439, both specifying the same coupon rate. At the re-offering price of 102.91 the indicated yield to the investor is around 3.10%.

Three Industrial Issues

Investors were afforded a rather wide choice of industrial equities today. The much discussed Tucker Corp., capital stock, 4,000,000 shares, was slated to reach market after a rather stormy launching.

Meanwhile bankers were scheduled to bring out 400,000 shares of Dow Chemical Co.'s new cumulative convertible second preferred stock to provide the issuer with additional cash for general corporate purposes.

The third issue on the market today, provided nothing interfered with bankers' plans, was 72,882 shares additional common stock of Atlas Plywood Corp. to provide funds to reimburse the Treasury for capital expenditures already made and for other corporate purposes.

Reports on World Economic Survey

(Continued from page 17)

promises, a fundamental condition being that international intercourse will be based on respect for, and non-interference in, the internal affairs of the individual countries. Such a principle has received formal recognition in the enactments of international organizations—for instance, in the provisions governing the International Bank for Reconstruction and Development, which lay down that "the Bank and its officers shall not interfere in the political affairs of any member; nor shall they be influenced in their decisions by the political character of the member or members concerned."

Economic Essentials

Notwithstanding the diversity of economic systems, certain economic necessities make themselves felt in all countries:

Firstly, the governmental measures must not produce simply negative effects. Controls, whatever their purpose may be, should not merely result in a cutting-down of business, for the situation may well require a more active influence and, perhaps, most of all, such conditions that private individuals and firms are prompted to do, on their own initiative and in their own interests, that which is desirable from the general standpoint of society.

There is the further danger that matters relating to the budget situation, the balance of payments, prices, wages, etc., may be treated as separate questions, as if the problems of an economy could be dealt with in watertight compartments without regard to the interdependence of economic phenomena. It is not unusual for plans to be worked out by individual departments having little contact with one another, while actual results can, in all probability, best be obtained by a comprehensive policy designed to eliminate fundamental maladjustments.

A third and cognate danger is that the authorities, in their attempts to find solutions, will deal with symptoms instead of attacking the really fundamental causes. It would, for example, be too limited and too superficial an approach to try to deal with the problems of the balance of payments simply by cutting down imports and artificially stimulating exports, without attending to the volume of monetary purchasing power in the domestic economy. For experience shows that an inflationary expansion of purchasing power at home (whether resulting from current budget deficits, too large a volume of public or private investments or sudden sharp increases in wages and salaries unmatched by sufficient goods) acts as an attraction for imports and as a brake on exports, thus aggravating the disequilibrium in the balance of payments. Only too often this connection between the methods of internal financing and the outcome of the balance of payments is overlooked. But how could inflation, which raises the monetary demand for goods on the market, have any other effect than to unbalance the country's foreign payments, especially under a system with relatively fixed exchange rates? As the monetary reserves feel the drain, the governments may have to adopt restrictive measures, even though such measures do not get to the heart of the trouble—the inflationary financing—and may even, through the exclusion of foreign supplies, render an adjustment of the price situation more difficult.

Wartime Inflation Persists

It is not a counsel of perfection but basic common sense to emphasize the importance of bringing wartime inflationary methods to an end by putting the budget in order, by arriving at a proper relation between wages and supplies and by adjusting public and private investments to the volume of available savings. The restoration of a country's domestic credit position will almost automatically make itself manifest in a stream of commercial credits from abroad in connection with the flow of goods, the aggregate of such credits having reached considerable proportions in the past. And restored confidence is likely to be followed also by a current of direct investments coming from foreign industrial and commercial firms. As far as the country's own nationals are concerned, gold and foreign exchange should gradually return from hoards at home and abroad while, as reconstruction gathers momentum, the flow of internal savings is certain to increase and be put to constructive use. If these various movements were to set in, the whole process of recovery, and especially the reconstitution of monetary reserves, would be less dependent upon the conclusion of one or two large foreign loans but would be facilitated by a diversity of relatively small though numerous transactions.

In more than one country in Europe a lack of confidence in the currency (reflecting an acute fear of inflation) is actually keeping goods from the market, in spite of all the measures of compulsion which the authorities impose. In such circumstances, foreign loans and other assistance may still afford relief by providing badly needed commodities; but little lasting good will have been done if the borrowers fail to take advantage of the foreign resources as providing a breathing-space in which a coherent series of domestic measures can be taken; in other words, the loan should be considered and employed as part of a comprehensive plan for financial and monetary rehabilitation.

The psychological preparedness for the proper execution of realistic plans, sufficiently all-embracing to command confidence, is greater today than it was when hostilities ceased. Many illusions have been shed and there is a growing sense of the need for effective and even drastic measures. Conditions would thus seem to exist for a more proper use of outside aid in the form of loans and other financial assistance. What is needed, then, is a coordinated program into which international investment can be fitted as one of the measures, essential in itself, but fully efficacious only if supplemented by domestic action.

Access to foreign resources is such a great boon that it would be very regrettable if the additional strength which it provides were to be frittered away for purposes other than genuine reconstruction and development. But, here again, first things must come first: without monetary stability upheld by a solid budget, the basis will be lacking for the proper direction of industrial and other investments.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available (dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date):

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	July 27	93.1	91.5	95.6	89.3
Equivalent to—					
Steel ingots and castings produced (net tons)	July 27	1,629,200	1,601,200	1,672,900	1,573,800
AMERICAN PETROLEUM INSTITUTE:					
Crude oil output—daily average (bbls. of 42 gallons each)	July 12	5,045,350	5,065,200	5,113,200	4,934,400
Crude runs to stills—daily average (bbls.)	July 12	5,229,000	5,109,000	5,164,000	4,866,000
Gasoline output (bbls.)	July 12	16,197,000	15,759,000	15,695,000	14,942,000
Kerosine output (bbls.)	July 12	2,194,000	1,963,000	1,972,000	1,950,000
Gas oil and distillate fuel oil output (bbls.)	July 12	5,909,000	5,659,000	5,981,000	5,452,000
Residual fuel oil output (bbls.)	July 12	8,679,000	8,485,000	8,960,000	8,246,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	July 12	88,791,000	89,674,000	93,356,000	90,807,000
Kerosine (bbls.) at	July 12	16,057,000	14,857,000	13,094,000	15,315,000
Gas oil and distillate fuel oil (bbls.) at	July 12	45,261,000	43,000,000	38,385,000	42,652,000
Residual fuel oil (bbls.) at	July 12	50,529,000	49,151,000	47,812,000	48,252,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	July 12	806,691	629,204	805,292	895,082
Revenue freight rec'd from connections (number of cars)	July 12	531,398	*585,452	700,790	595,177
CIVIL ENGINEERING CONSTRUCTION, ENGINEERING NEWS RECORD:					
Total U. S. construction	July 17	$104,350,000	$78,690,000	$143,470,000	$121,672,000
Private construction	July 17	51,195,000	30,070,000	69,090,000	41,309,000
Public construction	July 17	53,155,000	48,620,000	74,330,000	80,323,000
State and municipal	July 17	39,084,000	34,887,000	33,488,000	28,435,000
Federal	July 17	14,071,000	13,733,000	40,892,000	51,888,000
COAL OUTPUT (U. S. BUREAU OF MINES AND NATIONAL COAL ASSOCIATION):					
Bituminous coal and lignite (tons)	July 12	6,235,000	1,940,000	12,875,000	12,865,000
Pennsylvania anthracite (tons)	July 12	1,008,000	98,000	1,155,000	1,289,000
Beehive coke (tons)	July 12	51,000	*10,600	113,500	103,400
DEPARTMENT STORE SALES—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE=100	July 12	227	*208	300	210
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	July 19	4,732,434	4,530,533	4,676,300	4,293,280
FAILURES (COMMERCIAL AND INDUSTRIAL)—DUN & BRADSTREET, INC.	July 17	63	49	70	25
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	July 15	2.85664c	2.85664c	2.85664c	2.73011c
Pig iron (per gross ton)	July 15	$33.15	$33.15	$33.15	$26.45
Scrap steel (per gross ton)	July 15	37.75	35.58	33.25	19.17
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	July 16	21.225c	21.225c	21.225c	14.150c
Export refinery at	July 16	21.050c	21.425c	21.425c	15.925c
Straits tin (New York) at	July 16	80.000c	80.000c	80.000c	52.000c
Lead (New York) at	July 16	15.000c	15.000c	15.000c	9.500c
Lead (St. Louis) at	July 16	14.800c	14.800c	14.800c	9.350c
Zinc (East St. Louis) at	July 16	10.500c	10.500c	10.500c	9.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Govt. Bonds	July 22	121.80	121.62	121.49	123.92
Average corporate	July 22	117.20	117.00	116.61	118.80
Aaa	July 22	122.09	122.09	121.88	123.34
Aa	July 22	120.22	120.22	120.22	121.25
A	July 22	116.80	116.61	116.61	118.40
Baa	July 22	109.97	109.79	109.06	112.37
Railroad Group	July 22	112.00	112.00	111.07	115.63
Public Utilities Group	July 22	118.60	118.60	118.60	119.20
Industrials Group	July 22	120.84	120.63	120.84	121.46
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Govt. Bonds	July 22	1.56	1.57	1.58	1.48
Average corporate	July 22	2.79	2.80	2.82	2.71
Aaa	July 22	2.55	2.55	2.56	2.49
Aa	July 22	2.64	2.64	2.64	2.59
A	July 22	2.81	2.82	2.82	2.73
Baa	July 22	3.17	3.18	3.22	3.04
Railroad Group	July 22	3.06	3.06	3.11	2.87
Public Utilities Group	July 22	2.72	2.72	2.72	2.69
Industrials Group	July 22	2.61	2.62	2.61	2.58
MOODY'S COMMODITY INDEX	July 22	419.0	417.2	403.5	346.8
NATIONAL FERTILIZER ASSOCIATION—WHOLESALE COMMODITY INDEX BY GROUP—1935-39=100:					
Foods	July 19	222.5	221.1	216.3	179.8
Fats and oils	July 19	200.1	212.2	203.5	201.5
Farm products	July 19	257.1	255.4	248.9	214.1
Cotton	July 19	365.0	362.5	359.0	338.0
Grains	July 19	251.9	253.1	254.9	239.0
Livestock	July 19	244.5	242.1	232.1	189.1
Fuels	July 19	178.6	178.6	172.2	138.6
Miscellaneous commodities	July 19	162.1	159.9	159.3	154.3
Textiles	July 19	222.5	221.6	218.7	207.4
Metals	July 19	149.0	148.8	148.5	125.3
Building materials	July 19	186.7	184.6	181.3	186.4
Chemical and drugs	July 19	152.1	152.5	155.6	128.3
Fertilizer materials	July 19	129.5	127.9	126.9	116.6
Fertilizers	July 19	135.0	134.6	134.6	119.7
Farm machinery	July 19	126.6	126.6	125.3	109.0
All groups combined	July 19	202.3	201.1	197.1	171.3
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	July 12	139,288	187,739	146,726	127,832
Production (tons)	July 12	133,950	137,207	183,105	141,476
Percentage of activity	July 12	76	78	103	87
Unfilled orders (tons) at	July 12	505,183	517,713	512,578	599,527
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1926-36 AVERAGE=100	July 17	142.7	143.0	143.5	138.6
WHOLESALE PRICES—U. S. DEPT. LABOR—1926=100:					
All commodities	July 12	148.3	148.0	147.6	120.7
Farm products	July 12	178.2	179.5	178.3	153.9
Foods	July 12	165.8	164.6	162.4	134.0
Hides and leather products	July 12	173.3	171.7	167.0	129.1
Textile products	July 12	138.3	138.4	138.5	108.8
Fuel and lighting materials	July 12	105.8	105.1	104.4	90.1
Metal and metal products	July 12	141.6	141.6	142.3	113.0
Building materials	July 12	175.4	175.2	176.1	131.8
Chemicals and allied products	July 12	117.5	121.5	124.4	98.4
Housefurnishing goods	July 12	131.0	131.0	129.6	110.7
Miscellaneous commodities	July 12	114.6	115.4	116.0	98.3
Special groups—					
Raw materials	July 12	162.0	162.6	161.2	137.2
Semi-manufactured articles	July 12	142.2	142.5	142.3	107.5
Manufactured products	July 12	143.7	142.8	142.9	115.3
All commodities other than farm products	July 12	141.8	141.2	141.0	113.3
All commodities other than farm products and foods	July 12	132.1	132.1	132.1	106.9

*Revised figure.

	Latest Month	Previous Month	Year Ago
ASSOCIATION OF AMERICAN RAILROADS—			
Month of June:			
Freight traffic handled by Class I RRs. (revenue ton-miles—000's omitted	51,500,000	*56,000,000	49,783,762
COPPER INSTITUTE—For month of June:			
Copper production—			
Crude (tons of 2,000 lbs.)	81,854	*91,203	32,785
Refined (tons of 2,000 lbs.)	98,738	*108,464	2[illegible],870
Deliveries to customers—			
In U. S. A. (tons of 2,000 lbs.)	116,652	*118,048	95,267
Export (tons of 2,000 lbs.)	224	----	----
Refined copper stocks at end of period (tons of 2,000 lbs.)	76,629	*83,980	79,145
COTTON AND LINTERS—DEPT. OF COMMERCE RUNNING BALES—			
Consumed Lint—Month of June	728,251	827,234	792,317
In consuming establishments as of June 30	1,677,014	1,928,815	2,281,248
In public storage as of June 30	1,229,817	1,835,991	5,379,624
Cotton spindles active as of June 30	21,324,316	21,624,002	21,323,076
Consumed Linters—Month of June	72,549	60,410	8[illegible],581
In consuming establishments as of June 30	221,999	246,444	288,315
In public storage as of June 30	68,887	76,111	60,778
FAIRCHILD PUBLICATIONS RETAIL PRICE INDEX JAN. 2, 1931=100 (COPYRIGHTED AS OF JULY 1)—			
Composite index	123.7	123.8	114.7
Piece goods	120.1	120.0	113.3
Men's apparel	121.4	121.5	106.2
Women's apparel	120.4	120.6	115.0
Infants' and children's wear	121.7	121.8	108.1
Home furnishings	130.7	130.5	117.2
Piece goods—			
Silk	79.5	79.8	85.1
Woolens	113.2	112.8	109.9
Cotton wash goods	167.5	167.5	145.0
Domestics—			
Sheets	167.2	167.0	133.1
Blankets and comfortables	143.2	142.9	135.5
Women's apparel—			
Hosiery	82.7	83.8	90.0
Aprons and house dresses	151.8	151.0	138.8
Corsets and brassieres	122.6	123.4	113.2
Furs	143.2	143.8	151.9
Underwear	111.5	111.1	102.4
Shoes	110.5	110.2	93.7
Men's apparel—			
Hosiery	119.5	120.9	108.3
Underwear	130.3	130.3	116.8
Shirts and neckwear	112.6	112.5	100.2
Hats and caps	105.3	105.5	94.4
Clothing including overalls	114.4	114.4	107.5
Shoes	146.5	145.6	110.1
Infants' and children's wear—			
Socks	125.9	126.3	114.6
Underwear	110.7	110.5	103.3
Shoes	128.6	128.7	106.5
Furniture	140.4	140.1	131.1
Floor coverings	164.1	163.7	148.6
Radios	72.9	73.1	67.2
Luggage	95.7	96.2	94.3
Electrical household appliances	107.3	106.9	94.3
China	119.8	120.1	110.6
INTERSTATE COMMERCE COMMISSION—			
Index of Railway Employment at middle of June:			
1935-39 Average=100	†133.0	†134.4	128.6
MALLEABLE IRON CASTINGS (DEPT. OF COMMERCE)—Month of May:			
Shipments	75,478	81,890	62,598
For sale (short tons)	42,294	47,303	34,975
For producers' own use (short tons)	33,184	34,587	27,623
Orders booked, less cancellations, for sale short tons)	28,996	41,994	39,187
Unfilled orders, end of month, for sale (short tons)	262,117	275,415	271,925
MONEY IN CIRCULATION—TREASURY DEPT.—As of May 31	$28,260,701,224	$28,114,285,390	$28,120,083,952
NEW CAPITAL ISSUES IN GREAT BRITAIN—			
Midland Bank, Ltd.—Month of June	£12,303,000	£9,338,000	£9,264,000
NEW YORK STOCK EXCHANGE—			
As of June 30:			
Member firms carrying margin accounts—			
Total of customers' net debit balances	$550,046,993	$530,330,192	----
Credit extended to customers	62,477,937	62,771,012	----
Cash on hand and in banks in U. S.	398,012,323	420,495,662	----
Total of customers' free credit balance	650,858,923	651,605,136	----
NEW YORK STOCK EXCHANGE—			
As of June 30:			
Market value of listed shares	$66,547,890,733	$63,645,904,356	$90,929,333,989
Market value of listed bonds	140,148,124,599	140,426,003,695	142,405,982,701
Stock price index, 12-31-24=100	77.3%	74.4%	99.1%
Member borrowings on U. S. Govt. issues	206,010,690	130,071,700	341,506,639
Member borrowings on other collateral	209,679,122	179,961,362	390,338,558
SOFTWOOD PLYWOOD (DEPT. OF COMMERCE)—Month of May:			
Production (M sq. ft., ⅜-in. equivalent)	141,752	148,027	128,489
Shipments and consumption (M sq. ft., ⅜-in. equivalent)	93,760	94,841	89,9[illegible]2
Stocks (M. sq. ft., log scale) at end of May	135,658	124,284	72,360
TREASURY MARKET TRANSACTIONS IN DIRECT AND GUARANTEED SECURITIES OF U.S.A.			
—Month of June:			
Net sales	$359,163,200	$338,623,000	$69,800,000
Net purchases	----	----	----
TRUCK TRAILERS (DEPT. OF COMMERCE)—			
Month of May:			
Production (number of units)	4,646	5,277	6,617
Shipments (number of units)	4,634	5,172	5,832

*Revised figure. †Preliminary figure.

Floyd D. Cerf Co. Offers Tucker Corp. Stock

Floyd D. Cerf Co., Inc., of Chicago, heads a large national group of investment bankers which today (July 24) is making a public offering of an issue of 4,000,000 shares of class A common stock of the Tucker Corp., priced at $5 a share. The corporation will build the new Tucker '48 automobile in the former Dodge-Chrysler plant in Chicago, said to be the largest, newest and most completely equipped plant of its kind in the country.

Net proceeds to the company from the present financing, estimated at $17,200,000, will be used for rearranging the plant for production of cars, for conversion of machine tools, acquisition of additional tools and other equipment, and for other purposes incidental to beginning production of the new automobile.

Production is expected to begin this Fall. Present plans call for installation of an assembly line with an estimate capacity of 500 cars each 8-hour shift, with two such shifts contemplated. The car will sell in the $1,800-$2,000 range. Incorporating many new features of design, including the placement of the engine in the rear, the new automobile will dispense with many parts now used in present-day cars with engines in front.

Capitalization of the corporation consists of 4,500,000 shares of class A common, of which 4,000,000 shares are now being offered and 1,000,000 shares of class B common stock, all of which is outstanding. The class A is entitled to dividends at the rate of 50 cents per share per year before any dividends can be paid on the class B. After payment of 50 cents preferential dividend on the class A common, directors can then declare dividends on both classes of stocks in equal amounts.

Pacific Power Bonds Placed on Market

Offering of a new issue of $26,900,000 first mortgage bonds, 3¼% series due 1977, of Pacific Power & Light Co. is being made today (July 24) by a banking group headed by W. C. Langley & Co. and The First Boston Corp. The bonds are priced to the public at 102.91% and accrued interest, to yield 3.10% to maturity.

Net proceeds from the sale of these bonds, together with proceeds from the sale of $4,000,000 of serial notes will be used in connection with the company's construction program, to redeem $27,200,000 principal amount of 4% and 5% bonds, and to pay off a bank note of $1,794,500.

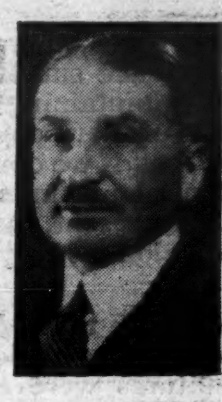
The new bonds will be redeemable on 30 days' notice at prices ranging from 105.91% before July 1, 1948, down to par for redemptions made after June 30, 1976. Special redemptions may be made through the replacement fund, sinking or improvement fund, etc., at prices from 102.92 to par.

The company, incorporated in 1910, is an operating public utility engaged primarily in the business of generating, purchasing, transmitting, distributing and selling electric energy at retail. The territory served by the company consists of extensive areas supplied by four systems, namely: the main interconnected power system, in Washington and in north central and northwestern Oregon; the Astoria-Seaside system near the mouth of the Columbia River in Clatsop County, Ore.; the Deschutes system in central Oregon; and the Enterprise system in Wallowa County, in northeastern Oregon.

Businessmen, Not Bureaucrats, Responsible for America's High Living Standard

Dr. von Mises maintains standard of living is improving through private ownership of production, not as an achievement of laws and executive orders. Asserts our crises results not from capitalism but from interventionism, which substitutes police pressure for consumers' free choice.

The increase in American standards of living in the last quarter of a century was accomplished because businessmen enlarged their factories and built new ones, asserts Dr. Ludwig von Mises, visiting professor of economics at the Graduate School of Business Administration of New York University and internationally known author and economist.



Ludwig von Mises

Those businessmen, and not the bureaucrats, deserve credit for the fact that most American families own motor cars and radio sets, he says in a new book just off the press. The book, "Planned Chaos,"* traces the historical patterns of socialism, communism, nazism and fascism, and strikes out at the anti-capitalistic bias which Dr. Mises believes is characteristic of this generation—a bias which is widely held in spite of the fact that capitalism is still working to give customers more and better and cheaper goods.

No Credit to Politicians or Union Leaders

"It is certainly not a merit of government, politicians and labor union officers that the standard of living is improving in the countries committed to the principles of private ownership of the means of production," Dr. Mises says. "The increase is not an achievement of laws and executive orders."

"It is grotesque that there is much more talk about the achievements of the Tennessee Valley Authority than about all the unprecedented and unparalleled achievements of American privately owned industries. However, it is only the latter that enabled the United Nations to win the war."

Dr. Mises shows how the development of interventionism, or the planned interference by government with the operation of a capitalistic market, produces a state of affairs which even from the viewpoint of its advocates is worse than the previous state it was designed to alter. If a government, faced with failure of its first intervention, is not willing to abandon its interference with the market and return to a free economy, he points out, it must add more and more regulations and restrictions until all economic freedom has disappeared and socialism of the Nazi German pattern emerges.

Police Pressure vs. Consumer Freedom

What the interventionist aims at, Dr. Mises shows, is the substitution of police pressure for the choice of the consumers. "All this talk, 'the state should do this or that,' ultimately means the police should force consumers to behave otherwise than they would behave spontaneously," he says.

Minimum wage rates are needless, he asserts, as an example, if they fix wage rates at the market level. But if they try to raise rates above the level which the unhampered labor market would have determined, he continues, they increase permanent unemployment. On the other hand, the inherent tendency of the capitalist evolution is to raise real wages steadily. This is the effect of the progressive accumulation of capital by which methods of production are improved. Whenever the accumulation of additional capital stops, however, he says, the tendency toward a further real increase in wage rates comes to a standstill. Government measures which retard capital accumulation or which consume capital—such as confiscatory taxation — are therefore detrimental to the vital interests of the workers.

A Crisis of Interventionism

Dr. Mises regards the economic crisis of our age not as one of capitalism, but as one of interventionism, resulting from policies supposedly designed to "improve" capitalism and substitute another system for it. Most of the advocates of interventionism have been driven by an envious resentment against those whose incomes are larger than their own, he continues.

It is sheer stupidity to praise the totalitarian regimes for alleged achievements which have no reference whatever to their political and economic principles, Dr. Mises concludes in his final chapter.

"The fellow travelers are enraptured by Russian films, Russian music and Russian caviar," he says. "But there lived greater musicians in other countries and under other social systems; good pictures were produced in other countries too; and it is certainly not a merit of Generalissimo Stalin that the taste of caviar is delicious. Neither does the prettiness of the Russian ballet dancers or the construction of a great power station on the Dneiper expiate for the mass slaughter of the Kulaks."

Dr. Mises believes that socialist propaganda never encountered any decided opposition, and that the devastating critique by which economists have exploded the futility and impracticability of socialist schemes did not reach the molders of public opinion. A policy of appeasement was practiced universally for many decades, he says, and it was this defeatism which made the rising generation believe that the victory of socialism was inevitable. It is not true, however, he continues, that the masses are vehemently asking for socialism and that there is no means to resist them. The masses favor socialism only because they trust the socialist propaganda of the intellectuals, and it is those intellectual leaders who have produced and propagated the fallacies which are on the point of destroying liberty and western civilization. What is needed to stop the trend toward socialism and despotism, Dr. Mises concludes, is common sense and moral courage.

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Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

Now you're being told—officially—that the Marshall Plan may forestall income tax reduction. This shouldn't be news, has been common knowledge in Washington. It can't be established as a certainty, but it's definitely a possibility.

* * *

Weeks ago we told you foreign demands for dollars might create such a budget drain as to make 1948 tax cuts unwise. Now President Truman and Treasury Secretary Snyder are saying the same thing publicly. You're right in arguing they headlined this warning as propaganda to block the tax bill. But don't make the mistake of discounting the whole possibility as political jawbonery. It isn't.

* * *

Actually, the Truman crowd wants to recommend revenue reform next session, wants to see a bill passed the President can sign. That would be just normal, good presidential year politics. Likewise, it would be poor politics for the White House to veto 1948 tax savings — unless for obviously sound reasons understandable to voters. It's mainly a bid for this voter understanding which prompted the President to warn at this time that globalizing Democracy through dollars can't be disassociated from budget balancing and tax collections.

* * *

The impact of dollar divvying on the budget is to be emphasized by Republican reluctance to make further reductions in Federal expenditures at home next year. In fact, GOP steersmen may deem it politically wise to even woo special interest votes by upping some 1948 appropriations. You can easily understand then, why it may be downright difficult to (1) reduce taxes; (2) balance the budget, and (3) still keep the foreign pipeline filled with dollars.

* * *

Be alert around October 1 for some inkling of what—if anything—is being accomplished at the Geneva Trade Conference. Tariff Commission men expect the talks to terminate about that date, are tooling up for the big job of revising our tariff schedules even though conference pacts can't be ratified by all foreign countries before 1948.

Says Tariff Commission Secretary Morgan, . . . "We expect with the conclusion of the trade agreements negotiations in Geneva quite a number of changes in the rates of duty. That will necessitate the publication of a new volume of existing United States import duties. It amounts to a revision of three or four hundred pages of text, and a checking and editing of the exact provisions due to reclassification, due to new rates of duty, and the other changes that have been introduced as a result of these agreements."

* * *

Boxcar pinch isn't to hurt as much as some people claim. Car production reached 5,000 in June, is expected by the ICC to double in August or September at the latest.

* * *

If you plan to do business in Germany, you'll be interested in a report now being drafted by the Commerce Department on recent regulation revisions by the Bipartite Board to facilitate transportation and transactions by American agents in the British-American zone. The report will shortly be available at Department field offices.

Race for domination of American international airline operations has ended in a dead heat—without change in the status quo. Prizes were two: (1) legislation backed by steamship lines authorizing such operators to obtain airline licenses; (2) a Pan American Airways proposal that all international air transport be merged into one Flag line. Inquisitive House Commerce Committee held hearings for weeks, wound up in confusion, voted in disgust to shelve all legislation until next year. You can be certain of two facts: the Committee never will OK the Pan Am deal, may recommend the steamship company formula.

* * *

Also, it's a sound wager the Civil Aeronautics Board will jolt the unscheduled airline proprietors by authorizing the scheduled airmen to drop their rates on cargo other than mail and humans 25%.

* * *

"If passed, it is certain to harm millions of Americans for the benefit of a few; it will make fortunes for Wall Street speculators; it will give control of some of our important carriers through a shoestring investment to interests ambitious to acquire control of some of our important transportation facilities." That's the epitaph composed by six prominent Senators for the Reed bill returning bankrupt railroads to stockholders. Republican leaders know they can't nullify that indictment before adjournment, have wrapped up the bill until next session.

* * *

If you're interested in the Reed bill, mark down this list of six Senate morticians — and remember they'll still be around when the legislation comes up next session: Brewster of Maine, Capehart of Indiana, Moore of Oklahoma and Hawkes of New Jersey, Republicans, and McMahon of Connecticut and Johnson of Colorado, Democrats.

* * *

Now it's official—the fact the Administration's crusade against high consumer prices is to exempt farmers. In his midyear economic report to Congress this week, Mr. Truman opined that. . . . "Most farmers cannot voluntarily reduce their prices because they do not make price decisions." That's complete refutation of an earlier proclamation by Economic Advisor Edwin Nourse that farm prices must be cut—by the farmers themselves.

* * *

The President's report underlined foreign needs for American dollars, added . . . "More than one-half of the excess of goods and services foreign countries received from us over those they supplied to us (in 1947) was financed by aid and loans extended by this government. Nor is this situation likely to change immediately. There is little likelihood that a greater part of the burden will soon be carried by increased imports, private investments abroad, liquidation of dollar balances, or gold shipments to this country. Gold stocks of other nations and their investment and credit funds in America have been considerably reduced. Production in war-stricken countries of goods for export will not increase greatly until the reconstruction of their economies has proceeded much further."

* * *

Don't look now for legislation curbing Federal Power Commission authority before 1948. Definitely stalled are (1) a bill denying to FPC jurisdiction over end production and distribution of natural gas, and (2) a measure protecting manufacturing plants from FPC domination and returning to the states jurisdiction over intrastate utility operations.

* * *

The natural gas bill passed the House, was being readied for Senate passage, when FPC wisely and quietly planted propaganda blasts against the power revision proposal then in the House Commerce Committee. Subsequent clamor in the press against utility magnates upset Congress, deadlocked the issue. But watch for more news on that smart FPC strategy. House Expenditures Committee thinks FPC may have violated a Federal statute prohibiting expenditure of government funds to influence legislation, has its gumshoe men working on that angle right now.

* * *

Keep at least one ear tuned to a $25,000 Summer investigation of RFC the Senate Banking Committee is to handle. It will be a witch hunt but may stumble on things worth knowing. Committee Chairman Tobey of New Hampshire is the instigator, doesn't have any precise idea of what he'll find, but believes at least some skeletons in RFC's filing cabinets should be dusted off and dangled before the public. And you can bet they won't be dangled without being spotlighted by appropriate Tobey wisecracks.

National income flowing from operations of security and commodity brokers, dealers and exchanges declined almost 50% from 1929 to 1946, according to a special Commerce Department study on national income sources. Income from security and commodity brokers, dealers and exchanges totaled $644,000,000 in 1929, slid downward to a $70,000,000 bottom in 1931, increased to $160,000,000 in 1939, receded to $89,000,000 in 1942 and thereafter mounted to $341,000,000 in 1946. During this same period, national income from all industries more than doubled.

* * *

National income contributions by the banking industry moved upward about $100,000,000 during the interval, totaling $1,960,000,000 in 1929, shrinking to a low of $493,000,000 in 1933 and then rising to $2,070,000,000 in 1946.

* * *

Copies of this new survey, first of its kind, may be had for 25 cents at Commerce Department field offices or Government Printing Office, Washington.

* * *

Scratch bank holding company legislation off the 1947 agenda. It can't be enacted before adjournment, won't get out of the House Banking Committee.

* * *

Americans in 1946 received $520 million income from direct investments abroad, the largest amount in history, substantially greater than the previous high of $474 million in 1928, the Commerce Department reported.

But, Mr. President!

"As I have stated to the Congress on previous occasions, while business, employment and national income continue high, we should maintain tax revenues at levels that will meet current expenditures and also leave a surplus for retirement of the public debt.

"No other course is consistent with realistic and conservative management of the fiscal affairs of the Government.

"Since H. R. 1 was disapproved, there has been no lessening of the need to make substantial payments on the public debt. Maintaining the integrity of this debt is one of the primary obligations of the Government. I repeat that, if we do not reduce the public debt by substantial amounts during a prosperous period such as the present, there is little prospect of material reduction at any time."—President Truman.

But, Mr. President, much more rapid debt reduction would be possible—and tax reduction, besides—if only needless expenditures were eliminated! Why not?

West-Hem Trading Corp.

The West-Hem Trading Corporation has been formed with offices at 20 Exchange Place, New York City, to engage in the securities business. Officers are G. M. Fritze, President and Treasurer; E. L. Branau, Vice-President; and C. Cobb, Secretary.

L. J. Burns Opens

Louis James Burns is engaging in the securities business from offices at 111 Broadway, New York City.

C. E. Wilson, Jr., With Bosworth, Sullivan Co.

Special to THE FINANCIAL CHRONICLE

C. E. Wilson, Jr.

DENVER, COLO. — C. Emmett Wilson, Jr., has become associated with Bosworth, Sullivan & Co., 660 Seventeenth St., members of the Chicago Stock Exchange. Mr. Wilson was formerly in the trading department of B. E. Simpson & Co.

H. J. Rice Joins Staff of J. A. White

CINCINNATI, OHIO — J. A. White & Company, Union Central Building, announce that Harold J. Rice is now associated with them as northwestern Ohio representative, with headquarters in Toledo, Ohio.

For the past 20 years, Mr. Rice has been associated with Messrs. Stranahan, Harris and Company in Toledo, in various capacities, principally in the Buying and Statistical Departments.

Joins Walston, Hoffman

Special to THE FINANCIAL CHRONICLE

SAN FRANCISCO, CALIF. — Leonard R. Riedle has become affiliated with Walston, Hoffman & Goodwin, 265 Montgomery Street, members of the New York and San Francisco Stock Exchanges. He was formerly with Davies & Mejia.

G. E. Baldry Now With Stephenson, Leydecker

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, CALIF. — George E. Baldry has rejoined Stephenson, Leydecker & Co., 1404 Franklin Street. Mr. Baldry has recently been with Blair & Co., Inc.